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by

Philip Viscount Snowden



VOLUME TWO

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of Commons. The new members were nearly all Trade Union nominees and had little knowledge of general politics. The Government treated the insignificant Opposition with indifference, amounting almost to contempt. During the first eighteen months of the life of this Parliament the leader of the Labour group was Mr. William Adamson, a Fifeshire miner. Mr. Adamson had been elected Chairman of the Parliamentary Party during the later years of the War when the more prominent members of the Labour Party were members of the Coalition Government. His election to the position of Chairman was a concession to the miners' members, who constituted a considerable proportion of the strength of the Parliamentary Labour Party. Mr. Adamson was an honest fellow with a good deal of Scotch shrewdness. He possessed few of the qualities necessary for the leadership of a political party. He was in no sense a Parliamentarian, and was quite unfitted for the hard task of leading a small Parliamentary group against the overwhelming battalions of the arrogant Coalition.

The main work of leadership of the Parliamentary Labour Group fell to Mr. Clynes, who was Deputy-Chairman of the Party. After eighteen months Mr. Adamson resigned the Chairmanship, and Mr. Clynes was appointed to the position, which he held for the remainder of that Parliament.

At the General Election all the I.L.P. members who had sat in the previous Parliament were defeated, but three new I.L.P. members had been returned. Among the three was Mr. William Graham, who was elected for the Central Division of Edinburgh. I shall need to say much of Mr. Graham later, so it will be sufficient here to mention that in this Coalition Parliament Mr. Graham made a number of well-informed speeches on financial questions which marked him out as a coming

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man in the Labour Party. Before entering Parliament Mr. Graham had served upon the Edinburgh City Council, where he had established a reputation as an able administrator. When little more than a boy he had obtained a position on a local newspaper in the South of Scotland as junior reporter, and out of his moderate salary he saved enough money to go to Edinburgh University, where he took degrees in Arts and Law with distinction. Apart from contributing a number of impressive speeches of an academic character in the Coalition Parliament, Mr. Graham was not much help in the rough and tumble of Parliamentary fighting. He was largely absorbed in journalism and in the work of two Royal Commissions to which he was appointed—one dealing with the Income Tax and the other with the working of the British Universities.

The supreme opportunity of the Parliamentary Labour Party to show that it possessed foresight, courage and the true international spirit came in July 1919 when the Peace Treaty was submitted to the House of Commons for ratification.

I have dealt with the attitude of the majority of the British Labour Party to the War in a previous volume, and I have shown that when the terms of the Peace Treaties became known, the Party took up an attitude of hostility to the main provisions of the Treaties, and decided to organise a campaign for their revision. Mr. Arthur Henderson, speaking on the Peace Treaty at Blackpool on the 22nd June 1919, made a declaration which expressed the sentiments of the great body of Labour and Socialist opinion in the country. He said:

“The Peace Treaty is not our treaty, and we shall never accept it. We shall never be satisfied until this has been fundamentally reconstructed. We believe that now when the news

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has come that Germany is determined to sign this will provide Labour in this country with opportunities for creating a clean democratic peace founded upon justice and fair play all round."

This view was endorsed by the Annual Conference of the Party which met at Southport during the same week. A resolution was passed with unanimity and enthusiasm calling for the immediate revision by the League of Nations of the harsh conditions of the Treaty which were inconsistent with the statements made on behalf of the Allied Governments when the Armistice was concluded. The Conference called upon the Labour movement to undertake a vigorous campaign for the winning of popular support to this policy as the first step towards the reconciliation of the peoples and the inauguration of a new era of international co-operation.

In view of these declarations, which undoubtedly gave voice to the desires of the whole Labour and Socialist movement, the inaction of the Parliamentary Labour Party a month later, when the opportunity arose in the Parliamentary debate upon the ratification of the Peace Treaty, came as a great shock. It had been expected that on this great historic occasion of the Peace Treaty debate the Labour Party would not fail to state in plain terms what Labour thought of this Treaty of blood and iron which betrayed every principle for which our soldiers thought they were fighting, and which violated the publicly declared objects of the British Labour and Socialist movement.

Instead of doing this—instead of using this opportunity to place on record the views of the British Labour movement on the Treaty—instead of sending a clarion call to the whole country which would have resounded throughout the world, condemning the harsh terms of the Treaty and calling for its revision—the spokesmen of the Labour Party not only failed to state opposition to the terms of

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the Treaty, but actually endorsed them, and eulogised the framers of the Treaty in language which won the enthusiastic thanks of the Government and the most reactionary Tories. The Parliamentary Labour Party allowed it to go forth to the whole world that so far as they represented the opinion of the British working classes, that opinion was in agreement with the men who had framed the infamous Treaty.

Mr. Clynes, who had seconded the resolution of the Labour Conference a month before, was the only spokesman of the Labour Party in this Parliamentary debate. He said:

“On balancing the gains enjoyed by the Treaty against its defects, we must feel the immense sense of relief that the world has secured by the victory of the Allied arms and by the defeat of the military spirit which itself was the cause of the war. . . .

“The Labour Party [in the Southport resolution] does not speak in any feeling of friendliness for the German people. . . .

“The Germans must pay for many years to come a heavy and bitter price for the enormity of the offences of which they were guilty.

“Our view is that with all its defects the Peace Treaty is the work of men who have acted with motives of the highest patriotism and with the noblest considerations for human government.”

It was left to Lord Robert Cecil and an Independent Liberal member to give voice to the only criticism of the Treaty which was made in the course of the debate.

When the Leader of the House announced the week previous to the debate that only one day was to be given for the discussion of the Peace Treaties the announcement was regarded by the country as the crowning act of contemptuous humiliation of Parliament. But the event proved that Mr. Bonar Law had estimated quite accurately the respect with which the House of Commons regarded itself. The most momentous step the British Parliament was ever called upon to take was taken after a few hours’

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perfunctory discussion. The Second Reading of the Bill endorsing the Treaty was carried without a Division. The French Parliament had appointed a Committee to consider the Treaty clause by clause, and the United States Senate gave weeks to the consideration of it. The few hours allowed by the British Government was more than sufficient to satisfy the interest of the members of the House of Commons!

It will always be remembered to the discredit of the British Parliamentary Labour Party that they allowed the Treaty to be ratified without protest. It is only fair to Mr. Arthur Henderson to state that he was not in Parliament at the time the Peace Treaty was ratified. He had been defeated at the General Election, and he had not up to that time found a new seat.

The Labour Party had decided previous to this debate to embark upon a campaign for the revision of the Treaty, but after the inaction of the Parliamentary Party this project was not acted upon, it being realised that nobody could be expected to take the Labour Party seriously after this calamitous exhibition by its members in the House of Commons.

The Official News Service of the Labour Party in the *Weekly Bulletin* it sent out to the branches offered a most disingenuous defence of the Labour Party's conduct in the debate, and concluded with the observation that "The Prime Minister (Mr. Lloyd George), despite the disappointment which his reference to the Irish problem caused many members, had no difficulty in securing the assent of the House to the Treaty Bill, which would consolidate the work he had so successfully carried out in Paris."

The explanation of the tragic failure of the Parliamentary Labour Party to seize the great opportunity to expose the real character of the Peace Treaty was probably due to

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two facts. I do not know whether the Party had met before the debate took place to decide what its attitude should be. If it had, possibly the views of the majority—which consisted of men who had taken part in the violent platform campaign against Germany during the War, and who had won their elections on the “Hang the Kaiser” and “Make Germany Pay” programme—would have prevailed. But the most probable explanation is that the members of the Party had never taken the trouble to study the terms of the Treaty. The majority of the members of the Party, as I have already mentioned, were new to the House of Commons, and they were mainly Trade Union nominees who took little interest in any matter of high politics, their interests being confined to industrial questions. That had been my experience from the time the Labour Party came into Parliament in 1906. Whenever a debate upon some purely political issue like finance and foreign policy arose, the speaking was always left to two or three members who had made a special study of such questions.

Mr. Clynes had considerable qualifications for Parliamentary leadership. He was an exceptionally able speaker, a keen and incisive debater, had wide experience of industrial questions, and a good knowledge of general political issues. In the Labour Party Conferences when “the platform” got into difficulties with the delegates, Mr. Clynes was usually put up to calm the storm. As Leader of the Parliamentary Group in the Coalition Parliament Mr. Clynes had a task of extreme difficulty. He had a team which in the main was untrained in Parliamentary work, unused to stern discipline, and unable to render him effective help in the Parliamentary debates. Mr. Clynes, at times, could be very pugnacious, but his natural inclination was to take things easily and not to excite

violent opposition. In his position as Chairman of the Party in this Parliament he was hampered by his former association with Mr. Lloyd George's Coalition Government and by the knowledge that he had himself been opposed to the Labour Party breaking with the Coalition.

The lack of a more vigorous fighting policy by the Labour Group caused a good deal of disaffection and criticism in the Labour Party in the country. This found expression by the delegates at the Annual Labour Conferences, and Mr. Adamson in the first instance, and Mr. Clynes when he became Chairman, had to meet strong criticism, and the attempts they made to meet these criticisms were more amusing than convincing.

This criticism of the Parliamentary Labour Party came not only from the wilder elements in the Party Conferences, but from the well-known men of moderate views, and even from members of the Parliamentary Group itself. The dissatisfaction of the more politically-minded members of the Parliamentary Group with its ineffectiveness and their desire to build up a more effective Parliamentary Opposition, led to a suggestion that Mr. J. Ramsay MacDonald, who was out of Parliament, should be invited to accept a position of General Adviser to the Party on the best method of making itself more efficient. Mr. MacDonald, on certain terms, agreed to accept that onerous position. A Committee of members of the Parliament Group was appointed to consider this suggestion, and to consult with Mr. MacDonald. They reported their conclusions to the full Parliamentary Party, which was divided on the question; and, after what one of the members told me was a most violent discussion, a majority decided they would not enter into any arrangement which involved having an outsider to advise them how to do their own business.

CHAPTER XXXVII

Communism in the Labour Movement

DURING the four years I was out of Parliament I found plenty of congenial work which fully occupied my time. In 1918 I was re-elected National Chairman of the Independent Labour Party, a position which I held for three years.

These were rather critical years in the history of the Party. Young men, full of enthusiasm but with little knowledge of Socialism, were coming into the party in very large numbers, and a steady influence was needed to keep their activities within reasonable bounds. A considerable number of men and women who had been attracted to the I.L.P. by its peace policy joined the Party, and they were exerting themselves to influence the policy of the Party in a measure which their knowledge of the movement did not entitle them to do. A number of pacifist M.P.'s who had been associated with us in peace work in the previous Parliament, and who had been defeated as Liberal candidates at the 1918 Election, realising that there was no prospect of a political career in the Liberal Party, now allied themselves with the I.L.P. The National Council of the Party had a very difficult task in those years in keeping the I.L.P. on its traditional lines as a constitutional instrument for the propagation of Socialism.

In addition to my work as Chairman of the Party, I undertook the direction of its Publication Department. We had established in connection with the Party a printing

plant from which we issued pamphlets and books, and did a good deal of printing work for the Labour and Trade Union Movements. The *Labour Leader*, the official organ of the I.L.P., had now attained a large circulation, and had a considerable influence outside the membership of the Party. At the request of my colleagues on the National Council I agreed to accept the position of Supervising Editor of this journal. Each week I wrote a page of comments on political events over my own name, and also contributed the leading articles. In addition to this I resumed my platform work, and during the winter months travelled all over the country addressing large meetings. My outside journalist work, which had stopped entirely during the War, gradually came back. I also wrote a number of pamphlets and two or three books on Socialism and social questions. All these activities kept me fully occupied.

I had always taken a keen interest in the Temperance Movement, and often spoke at Temperance demonstrations. At one of these meetings in Cardiff I had an amusing experience. It was a great meeting in one of the largest churches in the city, which was crowded and enthusiastic. The Chair was occupied by the late Lord Aberdare, who, in his speech, expressed surprise that he should have been invited to preside at a Temperance meeting. He explained that he was the chairman of a brewery company, and was not a teetotaler. "As a matter of fact," he said, "I had a bottle of wine before I came to this meeting." Among my fellow-speakers at this meeting was the present Bishop of London. He spoke before me, and the argument of his speech was the effect which even a small dose of alcohol had in confusing the mental faculties. When the Bishop sat down, the Chairman called upon "The Rev. Philip Snowden" to

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peak. I began by saying that we had not had long to wait for a practical illustration of the truth of the Bishop's argument. The audience were quick to seize upon this point, and there was prolonged laughter at the Chairman's expense, which, I am afraid, he did not altogether like. After the meeting Lord Aberdare said that he thought I had been a little too hard upon him, but it was impossible for me to resist the temptation to draw the connection between the Chairman's bottle of wine and his description of me as "Reverend".

The I.L.P. at that time had a good deal of trouble with the extreme section. The Bolshevik Revolution had made a great impression upon the younger members of the Party, who were enthused by the spectacle of a great country overthrowing the capitalist system and establishing a Communist Republic. Their sympathy with the Russian Communists was more emotional than intellectual, and they were not in the least critical of the methods which were being employed in Russia to fortify the Revolution.

The Russian Communist Party, which for all political purposes was an instrument of the Russian Government, had established in Moscow what they called "The Communist International", and were spending large sums of money in other countries to prepare for "The World Revolution". The "Second Socialist International" had been practically destroyed by divisions in the National Socialist Parties on the War. Efforts were being made to revive it in a number of international conferences, but these efforts were not very successful. These attempts to revive the old Socialist International had to face opposition from two quarters. There were those in all the National Socialist Parties who were not prepared to throw in their lot with the Moscow International, but were also

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strongly opposed to joining hands with those continental Socialists whom they regarded as having betrayed the Socialist Movement by their support of the War.

The I.L.P. was acutely divided upon this question of the re-establishment of a Socialist International. We had a moderate section which was prepared to let bygones be bygones and to give their support to the building up of the Second International. We had a not inconsiderable section, composed in the main of young men and women, who were prepared to throw in their lot with the Moscow Communists and join the Communist International. We had a third section dissatisfied with both the moderate policy of the Second International and the extreme policy of the Communist International; they wanted to join up with other sections of Socialists in the continental countries by forming still another International.

It was a very complicated state of affairs, and it looked at one time as though these divisions would disrupt the I.L.P. Matters came to a head at the Annual Conference of the I.L.P. which was held in Glasgow in April 1920. I had to preside over this Conference, and my task was a very difficult one. The majority of the National Council of the I.L.P. were opposed to joining up with the Moscow International, and I, personally, felt so strongly upon this matter that I had made up my mind if the Conference decided in favour of affiliating with Moscow I should leave the Chair. However, the necessity for carrying that decision into effect never arose. After a debate which occupied the greater part of two days—a debate which was conducted in excellent temper and with great ability—the Conference decided by a large majority to disaffiliate with the Second International. But when the question of affiliating with the Moscow International was put it was defeated by 472 to 206 votes. The Minority vote on the matter did not so much represent Communist

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opinion as a desire for the linking up of the whole world Socialist Movement in one inclusive International.

The Conference instructed the National Council to gather information on the International situation, particularly to address a communication to the Moscow Communists asking for a full statement of the basis of that organisation.

The reply of the Moscow Communists was the submission of the text of the Theses upon which the Communist party was based. This information put an end to any further consideration by the I.L.P. of associating with the Communist International. Neither the policy nor the principles of the Communist Party were in accord with the attitude of the I.L.P. There remained, however, a section of the I.L.P. who, while not daring to publicly approve all the Theses of the Communist Party, gave so much support to the Bolshevik Government as to convey the impression to the public that they were in sympathy with its methods. This semi-Communist propaganda did great harm to the I.L.P., and in order to counteract its evil effect I used my platform in the *Labour Leader* to dissociate the I.L.P. from Communist methods.

My attitude was resented by the Left Wing members, and eventually led to my stopping my weekly contributions to the *Labour Leader*. The Acting-Editor of the *Labour Leader* supported the Left Wing attitude, and after a good many conflicts matters were brought to a head by a refusal to insert a paragraph I had written denouncing the Communist policy of "arming the proletariat" for a bloody revolution. The Acting-Editor inserted a paragraph below my notes dissociating the *Labour Leader* from my anti-Communist attitude. The Executive of the National Council called upon her to insert in the next issue of the paper the following resolution which had been passed by the Executive:

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"Mr. Snowden was appointed by the N.A.C. as the writer responsible for the editorials and the 'Notes on Current Affairs', and any criticism affecting policy should have been made first to the N.A.C."

Undaunted by this, the Acting-Editor appended another note to this resolution saying that the protest was only a culmination of a series of differences between herself and Mr. Snowden. I was not disposed to continue an unseemly wrangle, so I declined to make any further contributions to the paper.

This conflict between the two wings of the I.L.P. continued. But the controversy was by no means confined to the I.L.P., but existed in the wider Labour Party. The British Communists, acting on instructions from Moscow, used their membership of the Trade Unions to carry on a Communist propaganda inside the unions, and to agitate for the admission of the Communist organisation to the Labour Party. The question of their affiliation was discussed at many Annual Conferences of the Labour Party, and it was finally decided that the declared methods of the Communist Party debarred them from admission.

The Communists gained considerable support from the *Daily Herald*, which at that time was under the editorship of Mr. Lansbury. In August 1920 a startling disclosure was made by the British Government, which had intercepted Bolshevik wireless messages. These had reference to raising funds in Russia for the support of the *Daily Herald*. Litvinoff had wired to Tchitcherin:

"If we do not support the *Daily Herald*, which is now passing through a fresh crisis, the paper will have to turn 'Right' Trade Union. In Russian questions it acts as if it were our organ. I consider the work of the *Daily Herald* specially important for us."

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The *Daily Herald* indignantly denied that it had received any money from Bolshevik sources. However, three weeks later, when it was known that the police were making enquiries, the *Herald* came out with a fantastic story that one of its directors, Mr. Francis Meynell, "without the knowledge of his colleagues had collected £75,000 to be held in trust for the 'Third International and to be offered to the *Daily Herald* if the need arose."

A week later the British Government issued a *communiqué* which stated that M. Kameneff, the Soviet representative in London, had informed his Government that £40,000 worth of diamonds had in fact been sold, and that the proceeds had been paid over to the *Daily Herald*. The *communiqué* further stated that the British Government had evidence that the statement that Mr. Meynell acted on his own initiative was incorrect, and that Mr. Edgar Lansbury, the son of Mr. George Lansbury, the Editor of the *Daily Herald*, had, in fact, received part of the notes given for the jewels. When the transaction could no longer be denied the Editor of the *Daily Herald* asked his readers if the money should be accepted. The Trade Unions who were financially supporting the paper dissociated themselves from the whole affair, of which they had had no knowledge previous to the exposure. What became of the money has never been cleared up satisfactorily. The whole transaction was a very sordid business and left a very bad impression.

My opposition by speech and writing to the methods of the Communist Party brought me a good deal of abuse from that Party and from the Left Wing of the I.L.P. I could foresee then what has since actually happened, namely, that this conflict between the democratic and the revolutionary sections of the I.L.P. would ultimately lead to the disruption of the Party.

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This conflict between two sections of a Party which had fundamental differences on the method of achieving a common object was no new experience in popular movements. The difference between the advocates of moral suasion and revolutionary methods wrecked the Chartist Movement. It broke up the First Socialist International. It has now disrupted the I.L.P. and made that once influential body a thing of shreds and patches.

The conflict between Democracy and Dictatorship has now (1934) assumed a world significance. Democratic government has been overthrown in several European countries, and others are seriously threatened with the same fate. There is no difference in principle or in methods between a Dictatorship of the Right and a Dictatorship of the Left. Both attain power by force and maintain it by ruthless suppression of all opposition and the practice of tyranny and torture and persecution.

The Communists openly advocate the Dictatorship of the Proletariat and the abolition of Parliamentary forms of government. The Theses of the Communist Party declare that "only a violent defeat of the bourgeoisie, the confiscation of its property, the annihilation of the entire bourgeois government apparatus from top to bottom, parliamentary, judicial, military, bureaucratic, administrative, municipal, up to the individual exile or internment of the most stubborn and dangerous exploiters, the establishment of a strict control of them for repressing all inevitable attempts at resistance—only such measures will be able to guarantee the complete submission of the whole class of exploiters."

My quarrel with the Communists is not so much with Communism as a theory as with the methods by which they seek to establish the Communist State. The pure Communist ideal—each for all and all for each—is a great conception. It is the Christian ideal of the perfect Society.

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Some day humanity may have reached a state of moral development where such a society will be possible. But it can never be forced by methods of violence and by the suppression of individual liberty. No social system will ever endure which is based on class antagonism and upon hatred and selfishness.

Extremism on the one side inevitably begets extremism on the other. The history of the countries of Central Europe since the War provides abundant evidence of this. Social evolution is a growth, and if progress is to be permanent moral development must proceed parallel with economic change. That is the reason why I have always been an advocate of what is called "Gradualism" in social progress.

One can understand, and, indeed, in a measure sympathise with those who, realising the misery and hardship to which the masses are condemned today by the injustice of the social system, think that a call to the distressed to unite and by some great catastrophic uprising overthrow the existing order will not fail to meet with a response from the victims. But, reluctant though we may be to abandon the hope that the agelong misery and subjection of the masses can be removed by one great dramatic stroke, we must recognise facts as they are, and learn the lesson of all history, which is that violent revolution is always followed by reaction and by the arrest of ordered progress. Ordered progress is the law of life; it is the living principle which carries men and nations forward. The method of democratic progress may be dull and unexciting, but it is the only sure and certain road to the final goal.

"Gradualism" does not mean that progress must necessarily be slow. The rate of advance will depend upon the intelligence of the democracy. But I do insist, and have done so from the earliest days of my Socialist teaching, that every step forward must carry with it the approval of

public opinion, and that every change must be consolidated before the next step is taken.

Progress cannot be too rapid for me provided it carries with it the support of democracy and is in accord with the other conditions I have laid down. I think it was Lord John Russell who said that "reform is the surest preventive of revolution." At the present time (1934) there is a real danger that the complacency and procrastination of the Government in dealing drastically with economic and social problems may drive the masses into unconstitutional methods. If the Parliamentary form of Government does not function effectively, if it will not redress keenly felt grievances, it cannot survive. The greatest danger to democracy is the failure of democratic institutions to respond to democratic demands.

These are the reasons why I have always opposed a revolutionary policy and preached a democratic Socialism. I have never objected to a forward movement within the Labour Party. I have often been at variance with my colleagues when I thought the Party was not pursuing a more vigorous fighting policy. My rebellious conduct was frequently the subject of complaint in the Party meetings. On one occasion a special meeting of the Party was called to consider a particularly outrageous act of indiscipline on my part. I had written an article in the *Labour Leader* vigorously criticising the Party for its moderation. This caused great offence, and I was summoned to defend myself before a Party meeting. I was not in the least disturbed. Indeed, I anticipated the meeting with considerable pleasure. There was a full attendance of members. The case against me was stated by the chairman. When he had finished I was expected to rise. I sat still. A dead silence continued for some minutes. Then Will Thorne said: "What can we do with him? He won't speak!" Then I spoke—for forty minutes,

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and at the end of my speech the meeting adjourned *sine die*.

At the end of my three years' tenure of office as Chairman of the Independent Labour Party at Easter 1920, I accepted the position of National Treasurer rendered vacant by the resignation of Mr. Benson, who had held the office for many years. This carried with it a seat on the National Council. I was becoming more and more discontented with the Left Wing tendencies of the I.L.P., and at the end of the year I declined to accept renomination. This severed twenty-five years of official association with the Party. I retained my membership of the Party but took little part in its work. My resignation was the occasion for a number of laudatory speeches on my work for the I.L.P. which came from old members of the Party, and which touched me deeply. I was anxious not to harm the Party by my resignation, for I knew that the great majority, though less vocal than the extremists, were loyal to the constitutional methods which had been the policy of the Party from its beginning; so I excused my action by saying that I thought it time, after a quarter of a century of office, to make way for younger men.

I had attended every Annual Conference of the I.L.P. (which was held at Easter) for twenty-seven years. This annual event was always a very happy occasion. There gathered active Socialists from all parts of the country. It was a reunion of old comrades and congenial spirits. After the day's work in the Conference was over we spent the evening in jolly companionship. Certain items in our programme became an annual institution. Keir Hardie was always expected to sing "Annie Laurie" and "Bonnie Mary of Argyle". We looked to Bruce Glasier to give us "The Battle of Sirling Bridge", which he rendered with a fiery patriotism quite unbecoming the editor of an

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Anthology of Peace Songs and Poems. Martin Haddow, one of the best of Socialists, who had given forty years of service to the movement in Glasgow, recited "The Stronachlachar Sermon on Jonah and the Whale", addressed particularly to "Ye fine peoples fra' t' sooth". Dick Wallhead, who had great histrionic gifts, was always a star turn with his Lancashire story of Eli, an Oldham factory hand, who went on a trip to the Isle of Man and left his set of new false teeth in the sea half-way between Liverpool and Douglas. Later, when James Maxton came among us, the programme was enlarged to include "The Darky Sunday School" and "The Wild Man from Borneo".

Perhaps the happiest part of these convivial gatherings was when a few of us gathered round the fire and recounted our propaganda experiences. The stories had been often told, but were always fresh. We insisted that Wallhead should tell us again of his Cockney chairman who introduced him with these few remarks: "Kumarades and Fellow Workers. Before I call on our Kumarade what has come here to eddicate you I want to say something about these here Liberals and Tories. Now, it's my firm belief—it's my firm belief—that Arthur James Balfour takes 'Enery Campbell-Bannerman by the arm, and they goes behind the Speaker's chair, and Arthur says to 'Enery: ' 'Enery, what shall we do next to dish these bloody workers? ' "

The stories of Jimmy Sexton—now Sir James Sexton—on such occasions were very popular. We always called for the old ones we had heard so often, but which were never stale as Jimmy told them. The favourite ones were about his election contest at Ashton-under-Lyne in 1895 when he was an I.L.P. candidate and polled 415 votes. Jimmy fought this election on the economic basis of Socialism and on Marx's theory of surplus value and

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methods of Socialist exchange. There was a man who followed him round his meetings and seemed very interested in these abstract theories. Jimmy was flattered by this attention, but a bit disconcerted when the man explained at the end of a meeting what he understood by what Sexton said. The man said: "About this means of exchange under Socialism. I understand that a man will exchange what he has for something he wants. Well, I'm a tripe dealer, and so under Socialism if I want to go to London I shall go t' station and plank a yard o' tripe on t' ticket sill and say 'Gie me a ticket to London'."

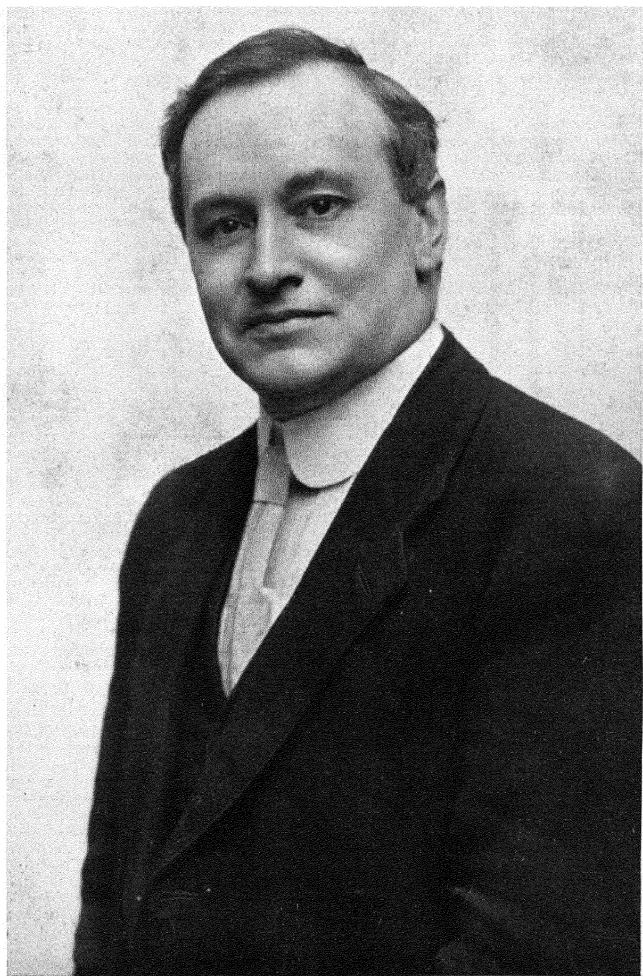
And so we spent our care-free evenings. These were happy days.

CHAPTER XXXVIII

Two Pioneer Socialists

IN the early days of 1919 the Labour and Socialist Movement suffered an irreparable loss in the death of one of its most prominent members. In the early months of the War a vacancy occurred in the representation of the Attercliffe Division of Sheffield through the death of the sitting Labour member. Under the political "Truce" which had been arranged between the political parties not to fight by-elections during the War period, Mr. William Crawford Anderson was returned as an I.L.P. member to fill the vacancy.

The death of Mr. Anderson deserves more than a passing reference, for not only had he in his short life done a vast amount of very useful work in the Trade Union and Socialist Movements, but he had given promise of becoming one of its foremost leaders. "Willie" Anderson, as he was affectionately called throughout the movement, was the son of a Banffshire blacksmith and had been apprenticed to a chemist in Glasgow. But his energies and abilities could not be confined to dispensing prescriptions behind a chemist's counter. While still very young he became an organiser for the Shop Assistants' Union, a position in which he did a great deal to raise the status of this class of workers. But the political side of the Labour Movement had an irresistible attraction for him, and he soon gave up the work of a Trade Union organiser to devote himself mainly to the propaganda of the I.L.P., although he continued to give help wherever



WILLIAM C. ANDERSON.

Photo by Scott, Bradford.

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a Trade Union was seeking to improve the conditions of its members.

The I.L.P. was quick to recognise that a new force had come into the movement, and the calls upon his services from every part of the country became insistent. He visited probably every branch of the Party in the country, and was instrumental in starting a large number of new branches. His energy was prodigious. He was a great speaker and a powerful debater. He met in public debate the leaders of many other movements—Single Tax—Tariff Reform—National Conscription—and his success in these encounters added greatly to his reputation. In one of these debates he was actually encored—the audience insisting upon a further speech from him! He was National Chairman of the I.L.P. from 1910 to 1913; Chairman of the Executive of the Labour Party in 1915; and presided at the first National Labour Conference after the outbreak of War. This was a very difficult position (in view of the overwhelming jingoism of that Conference) for a pacifist, but he discharged the duties with an ability and impartiality which won universal admiration. He first went into Parliament during the early months of the War. He very quickly made a position for himself and won the respect of all parties in the House. He made a special study of the food question, and looked after the interests of the Trade Unions when they were menaced by industrial conscription. He was for some time leader writer for the short-lived *Daily Citizen*, and was a constant contributor to the *Labour Leader*. Indeed, the variety of his activities was a constant marvel to his admiring friends. Like all the other pacifist members of the War Parliament, he went down at the Coupon Election of 1918.

Two months after his defeat he died. I do not think that his death was in any way due to disappointment at

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the loss of his seat in Parliament. He was too young to be affected by a temporary set-back to his career. He was a man of very strong and powerful physique, and it was said of him that he never had a day's illness in his life. Only a strong man could have done the work he did in the previous fifteen years. Only a week or two before he died he was in attendance at a Council Meeting of the I.L.P. in Manchester. After the business of that meeting was over he carried through a number of public engagements in the North, and appears to have taken a cold which developed into pneumonia. Medical skill was unavailing, and after two or three days of high fever he passed away at the age of forty-one years.

I was at that time carrying through a number of meetings in Scotland, and just as I was about to step on the platform to address a meeting at Kilmarnock on Monday, the 24th February 1919, I was handed an evening newspaper containing the announcement of the death of W. C. Anderson. I refused to believe that this could be possible. It seemed incredible that a life of such usefulness and such great promise should be cut short. I left Kilmarnock by the midnight train for London, and on the long weary journey I waited impatiently for the time when I might obtain the morning paper at some stopping-place. When I did so I read the stunning news. Ten days before, I had parted from him when he was apparently in the full enjoyment of that robust physical strength with which he was blessed. When I look back upon our last conversation it seems as though there was something premonitory in it. The National Council had finished its meetings; all the members had gone away except Mr. Anderson, Mr. Witard and myself. We sat together in the hotel, and Anderson read to us G. K. Chesterton's *Satirical Poems*, which were a never-ending source of enjoyment to himself and a pleasure to those to

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whom he read them in his inimitable style. Eventually the conversation turned, I know not how it happened, on the question of immortality, and we discussed the problem of the survival of the individual beyond this life. At last I said: "Well, we shall know some day!" and I rose and said "Good-night." This was the last I saw of him.

There are few things about which one can prophesy with confidence, but I have no hesitation in saying that among the generation of younger men in the Labour Party at that time he stood far ahead in all those qualities which go to make a statesman. At the time of his death, although he had been in public life for fifteen years, he had not reached maturity. His was a continuous development, both in speaking power, judgment and vision. No man who knew him intimately would have set a limit to his possibilities. I am sure there was no man in the political life of this country who had such a certain prospect as he of reaching the highest office in the State.

In September 1911 Mr. Anderson had married Miss Mary MacArthur, a very well-known woman in the Labour and Trade Union Movements. Miss MacArthur had done a great work in the Trade Union organisation of women. She was regarded as a great authority on industrial questions, particularly those affecting the working conditions of women. The marriage of Mr. Anderson and Miss MacArthur was the occasion of congratulations from a wide circle of friends, who looked forward to this union of man and woman with congenial interests to enhance the usefulness of their work. After eight years of happy married life Mr. Anderson was taken away, and two years later his wife followed him.

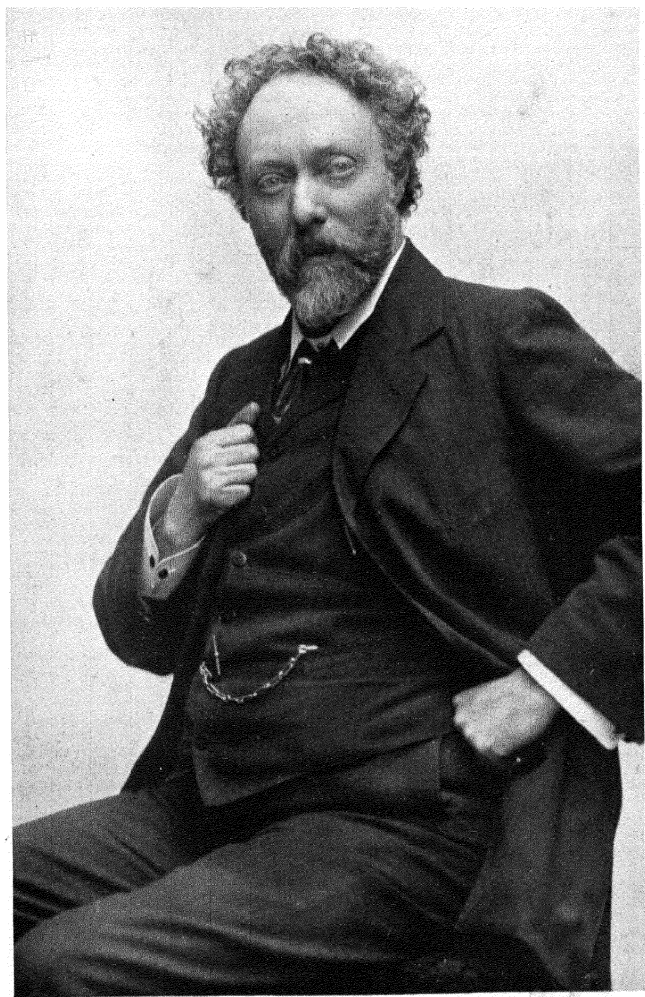
A few years before Mr. Anderson's death they had come to reside at Golders Green in a house directly opposite the one my wife and I occupied. This proximity brought

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us into close personal contact. The death of Mrs. Anderson (or Miss Mary MacArthur as she still continued to be called), following so soon after her husband's death, was a painful tragedy which deeply stirred the whole Labour Movement. She had been looking forward to taking up, in addition to her Trade Union work, a Parliamentary career. At the Coupon Election of 1918 she was the Parliamentary candidate for Stourbridge, and though not successful on that occasion she polled a very large vote. I shall never forget the painful experience my wife and I had one evening shortly before her death when she called to see us and told us that that day the doctors had passed sentence of death upon her. She had been told that she was suffering from some incurable internal trouble. She bitterly rebelled against the hard fate which had already taken away her husband in the prime of life, and now condemned her own career to a premature end. She left one child—a girl—who at the time of her death was five or six years old.

On the 4th June 1920, the Socialist Movement suffered another grievous loss. Bruce Glasier died that day. I have written briefly in the previous volume of his fine character and of his great work for the Socialist Movement. My affection for him and my appreciation of his great services demand that I should pay this further tribute. For more than a year he was hopelessly stricken in body, suffering agony from a serious internal complaint; but while lying on a sick bed the undiminished quality and power of his rare mind had enabled him to continue his contributions to our work through the Socialist Press.

He was my closest and dearest comrade. For years before there was any organised Socialist Movement in Great Britain, Bruce Glasier, as a very young man, had been preaching Socialism to various societies in Glasgow.



J. BRUCE GLASIER.

Photo by Scott, Bradford.

Two Pioneer Socialists

He was one of the first to join the old Socialist League, and later the Independent Labour Party when that body was formed in 1893. From that date he devoted all his time to Socialist propaganda. I have said elsewhere that to me Bruce Glasier was, more than any other man, the embodiment of the spirit, the idealism and the hope of Socialism. Difficulties never depressed him, disappointment never weakened his faith. Socialism to him was no mere material movement. It was the promise that Socialism gave to bring the joy of art, music, culture and comradeship to every human being that made him devote his life to the Socialist cause. He never was and never could have been a politician. His sensitive and refined nature revolted against the meanness which seemed inseparable from mere political controversy. It had been of inestimable value to the I.L.P. that one of its leaders, at least, was free to stand above the political struggle and to proclaim the pure aims of our Socialist programme.

He had given up his profession as an architect to devote himself to the advocacy of Socialism, and for thirty years, existing on a scanty income, he tramped the country from village to town carrying his message.

Bruce Glasier had never any ambition to enter Parliament. He preferred to stand aside for others in order that he might carry on the everyday propaganda in the country, though on one occasion under strong pressure he did contest a constituency in Birmingham. It was a forlorn hope, but he polled a very considerable vote in that stronghold of Chamberlainism.

In the first few weeks of his illness he lived with a sister in Hampstead, and my wife and I often joined them in the evening. He was passionately devoted to music. "Huntingtower" was always an item in the evening's programme, and invariably before we parted he insisted upon my wife playing the "Hallelujah Chorus", and at

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the end this observation always came: " We are waiting for the genius who will give to our Socialist Movement a hymn of praise and glory like that! "

The great patience with which he endured the pain and suffering of his last illness was to those who watched it no less an inspiration than the work of his active years. Never a complaint, never a harsh word of criticism. As his physical frame weakened his rare spirit shone forth with divine radiance, and for him death gave no sting, the grave achieved no victory.

Among all the noble band who have devoted their lives to the service of humanity, none deserves to be more gratefully and affectionately remembered than Bruce Glasier.

CHAPTER XXXIX

From Blackburn to Colne Valley

SHORTLY after my defeat at Blackburn in 1918 I was invited by the Labour Party in the constituency to become their candidate for the next Election. Although I had been heavily defeated by the combination of the other two Parties against me, neither my supporters nor myself had any doubt that in the changed circumstances at the next Election I should recapture the seat. I was very much attached to Blackburn. I had been associated with the borough as candidate and member for twenty years, and my relations with it had always been of the best and most friendly character. I, therefore, had no hesitation in accepting the cordial invitation to once more become the Labour candidate. For three years I kept in close touch with the constituency as the prospective candidate, making frequent visits and addressing public meetings, all of which gave evidence of a revival of the old enthusiasm.

However, in the autumn of 1921 circumstances arose which brought my long political association with Blackburn to an end. The National Council of the I.L.P. received a request from the Colne Valley Division of Yorkshire to provide them with a candidate. My colleagues were anxious to make a certainty of my return to Parliament at the next Election, and they did not share my optimism about my prospects at Blackburn. They pressed me hard to accept this opening in Colne Valley. The constituency had certain attractions. It was in

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Yorkshire, not far away from my native place, and the nature of the constituency and the character of the people there were quite familiar to me. In the previous thirty years I had done a good deal of propaganda in the constituency, and I was on intimate terms of friendship with all the leading Socialists in the Division. This was the constituency which Victor Grayson won in the sensational Election of 1907.

After a good deal of anxious thought, I agreed to fall in with the appeal of my colleagues on the National Council and to accept the invitation from Colne Valley, provided my friends at Blackburn would agree to release me. The Blackburn Labour Party were extremely reluctant to do so, and the private meeting I had with the Executive there was a very painful ordeal. Eventually, however, they agreed, and passed a resolution declaring that:

"It was with the greatest reluctance and regret that the Blackburn Labour Party agrees in deference to the advice and wishes of the National Council of the I.L.P. to release Mr. Snowden from his promise to again contest the constituency as Labour candidate; and it tenders to him its grateful thanks for the work he has done for the Labour and Socialist Movement, and more particularly for the many services he has rendered to the people of Blackburn. They never had a representative in the House of Commons who gave more time and service to them than Mr. Snowden did during his period of membership from 1906 to 1918."

Shortly after this decision arrangements were made for a farewell public meeting, at which my wife and I were presented with valuable tokens of goodwill.

Before I pass away from Blackburn I must pay a few words of tribute to one who during all my years of connection with the borough had been my devoted friend

From Blackburn to Colne Valley

and helper. This was Mr. James Frankland, who during all this time had been the honorary Secretary of the Labour Party. He had been brought up as a staunch Tory and Orangeman, but became a convert to Socialism, and from that time to his death he gave the whole of his spare time to working for the movement. He was loved by all who knew him for his kindness of heart, his devotion to the cause and his unobtrusive work. He took the chair at this farewell meeting, and said that "he had been closely associated with me for thirty years, and during the whole of that period there had not been a single occasion on which there had been any difference of opinion between us. Not one wrong word had ever passed between us." He was one of those men, of whom there were many in the Socialist Movement in those days, who were the real builders of the Labour Party. He died a few years ago, and the universal respect in which he was held was shown by the vast crowd that attended his funeral and lined the streets.

After my release from Blackburn, I went down to Slaithwaite, which is the centre of the Colne Valley Division, for a meeting with the Labour Council. I was formally invited to become the candidate. I accepted the invitation.

Arrangements were made for me to address meetings in each of the polling districts. Colne Valley is a widely scattered constituency. There are thirty-eight small towns and villages, but the bulk of the population live in the two narrow valleys which fork from Huddersfield and which take their names respectively from the rivers Colne and Holme which run through the valleys. The Colne Valley extends to Marsden, beyond which stretch wild moors which have to be crossed to reach a part of the Division which borders on the Lancashire town of

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Oldham. At the head of the Holme Valley lies the small town of Holmfirth, which was a notorious centre of political agitation in the Chartist days, and of Luddite activity in the opposition to the introduction of power-driven machinery in the early days of last century.

These valleys still retain evidence of the handloom-weaving times in the bare stone cottages with a third storey which had been built to accommodate the handlooms. These cottages are built on the steep hill-sides, and access to them, now that the workers find their occupation in the factories in the valley, is a laborious task. Miss Phyllis Bentley, the Yorkshire novelist, whose books have given her a well-deserved reputation, has laid the scene of her novel *Inheritance* in the Colne Valley, and she gives a description of the district and of the character of the people which is entrancing to those who know the valley, and, as proved by the success of the book, interesting to a wider circle.

Colne Valley is a very hard constituency to work. To reach the electors a candidate must be prepared to travel long distances for comparatively small meetings, and to address three or four of these each night during the Election.

My first experience in the Division as a Parliamentary candidate would have driven me from the constituency if I had not known the people. My preliminary tour of the Division, a year before the Election, was most depressing. I found the electors sunk in appalling political apathy. The meetings were sparsely attended and wholly devoid of enthusiasm. There was only one place in the Division where any political propaganda had been done for years. When I complained about the deadness of the electorate I was told "it'll be all reight when t'Election comes; they'll wakken up then; they doant

From Blackburn to Colne Valley

think it worth bothering naah; they say 'We sall 'ev plenty chances of hearing him at t'Election'."

I knew there was a good deal of truth in this, and that induced me to stick to it. When the Election came they "wakkened up", though they never were roused to wild enthusiasm. This reticence in expressing opinions or feelings in public is a trait in the character of the people in this part of the West Riding. My friend Sir Ben Turner, who is a native of Holmfirth, relates in his *Reminiscences* that when the King and Queen visited Colne Valley in 1913 one of the Staff Officers who accompanied them remarked to Ben upon the slack reception that was being given to their Majesties. He asked why there was so little cheering. I am sure that this was not due to any lack of loyalty, but was due to the habit of the people in restraining the exhibition of their feelings in public. I, myself, had the same experience. At my first Election, after the declaration of the poll announcing my success had been made I left the Town Hall at Slaithwaite to drive to the Socialist Hall. I passed through the street. There were numbers of people about, half of whom must have voted for me, but there was not a single cheer! It might have been a funeral procession!

There was a particular reason why many of the electors hesitated to make known their support of the Labour Party. There had been some persecution of active Socialists by employers in the early days, and the recollection of this still lingered.

However, "it was all reight" when the Election came in November 1922. I was returned by a comfortable majority. This result was due in a large measure to the help of my wife, who had worked like a Trojan in the contest and had made a great impression on the electors, particularly upon the women.

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I fought three Elections in Colne Valley in three years—four altogether including the Election of 1929—and at each successive Election I increased my majority and raised the enthusiasm of the electors until in 1929 my meetings were enormous, and the enthusiasm equal to the memorable Election meetings in Blackburn. But they had been a difficult lot to move!

CHAPTER XL

A Memorable Conference

I HAVE attended scores of Labour and Socialist Conferences, but I think the most remarkable was that held in London on the 13th August 1920. That Conference was called to consider the serious situation which had arisen through the attack by Poland upon the territory of Soviet Russia, a wholly indefensible proceeding which threatened to involve Great Britain in the conflict. Poland appeared to have been dissatisfied with the frontier which had been accorded to her by the Peace Conference. She demanded from the Soviet Government something like 400,000 square kilometres inhabited by about twenty millions of people, which included not more than five per cent. of Poles. The action of Poland was wholly unprovoked, and was purely an aggressive adventure. Mr. Lloyd George, in speeches delivered in the House of Commons, had created the impression that the British Government were contemplating in certain circumstances military help to Poland. The Poles had been driven back and the Russians had advanced into Poland, and there was anxiety concerning the fate of Warsaw. Poland was now threatened by way of reprisals with the very disaster which she had recklessly tried to impose upon Russia. This situation caused serious consternation throughout the whole of the British Labour Movement, which was increased by Mr. Lloyd George's statement in the House of Commons that "it was our business to prepare for contingencies and to see that the

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Poles were properly equipped ". The Labour Movement were convinced, rightly or wrongly, that France and Great Britain were preparing to attack the independence of the Soviet Republic. There was justification for this in the support which had been given to the adventures of Kolchak and Wrangel.

The Labour leaders felt that it must be made unmistakably clear that Labour would offer resistance by every means in its power to the British Government entering into such a war. On the 9th August a meeting was held at the House of Commons to discuss the situation, at which representatives were present of the Parliamentary Labour Party, the Trade Union Congress and the Executive of the Labour Party. At this meeting a resolution was passed declaring:

"That this meeting feels certain that war is being engineered between the Allied Powers and Soviet Russia on the issue of Poland, and declares that such a war would be an intolerable crime against humanity, and therefore warns the Government that the whole industrial power of the organised workers will be used to defeat this war."

There was added to this statement the following Instruction to the affiliated organisations, which was the first occasion in the history of British Labour when a declaration was made to resort to the "strike" as a challenge to war. The Instruction read as follows:

"That the Executive Committees of affiliated organisations throughout the country to be summoned to hold themselves ready to proceed immediately to London for a National Conference, and that they be advised to instruct their members to down tools on instructions from that National Conference, and that a Council of Action be immediately constituted to take such steps as may be necessary to carry the above decisions into effect."

This Council of Action was formed of representatives of the three bodies which had called this meeting.

A Memorable Conference

The next day the Council had an interview with Mr. Lloyd George, and made it clear that the opposition of the Labour Movement was not merely to direct military action but to indirect war either by blockade or by the supplying of munitions or assisting in any way the Polish forces which were now at war against Russia. Mr. Lloyd George's reply to the deputation was regarded as unsatisfactory, and the Council decided to summon the National Conference at once.

It was this Conference which I have described as being the most impressive I have ever attended. At three days' notice a Conference of a thousand delegates, coming from all parts of Great Britain, assembled at the Central Hall in London. From the opening of the Conference there was no mistaking the temper and determination of the delegates. All the veterans of the Trade Union Movement were there, as well as representatives of the younger elements of the Trade Unions. It was a strange spectacle to see and hear the men—most of whom had been enthusiastic supporters of the Great War—displaying an almost religious fanaticism in opposition to war.

The Conference fully realised the gravity of the decision it was called upon to take. There was a manifest determination not to permit any difference of opinion to obtrude into the discussions and therefore weaken the demonstration of unanimity on the one essential thing, namely, that the whole forces of Labour would be employed to prevent Great Britain giving support in any form to a war against Russia. Moderates and extremists were united on that point. The function and aims of the Council of Action were to be confined to the specific and definite purpose of preventing war, and it was never intended that the Council of Action should be used to aid general revolutionary propaganda. Mr. Frank Hodges put this point very well:

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“That the motives which have brought the Council of Action into being are transient. Their main object is peace. There is no desire to destroy Parliamentary government, and there is no question of Soviet government.”

The Conference with complete unanimity endorsed the recommendation of the Council of Action to call a General Strike at any moment should the circumstances demand it. When this resolution was put to the meeting and carried there was a scene the like of which I have never witnessed in any Labour Conference. The thousand delegates sprang to their feet and broke into a hurricane of cheering.

The most remarkable speech at this Conference was delivered by Mr. J. H. Thomas, who pointed out that “the action it was proposed to take meant that the Trade Unions transferred all executive responsibility to the Council of Action. Direct action would not merely mean a strike; it would mean, he said, a challenge to the whole constitution of the country. The step was momentous, but it was justified in order to prevent war.”

Mr. Clynes, of all men, declared that every member of the Parliamentary Party was prepared to commit himself to the policy of “direct action.” It was a most extraordinary situation, and the fact that the moderate Trade Union leaders supported and advocated this unconstitutional action and were prepared to use the Trade Union Movement to defy the Government could only be explained by assuming that they were acting under some emotional impulse.

When the main resolution had been carried the delegates stood in silence for some time to register their determination to abide by it. The last act of this great Conference was to pay a tribute to the memory of Keir Hardie and Bruce Glasier, who had so often urged in International Socialist Conferences the policy of a strike against war.

A Memorable Conference

The decisions at this Conference made a tremendous impression on the country, and gave rise to a debate in the House of Commons in which Mr. Lloyd George vigorously attacked Mr. Clynes and Mr. Thomas for having become the apostles of unconstitutional and revolutionary action. Of course, one cannot say what would have happened if the Council of Action had been called upon to put the resolution into effect. Fortunately, the necessity never arose, and shortly after the Council of Action was dissolved. But I shall always remember that Conference in the Central Hall.

CHAPTER XLI

Two Historic Parallels

ALTHOUGH I shall be anticipating events which did not happen until ten years later than the period with which I am dealing, I cannot resist the temptation to draw a parallel between the history of the Coalition Government of 1918-22 and that of the "National" Government which was formed in 1931. The circumstances under which both Governments obtained their huge Parliamentary majorities and the course of events during their tenure of office were almost uncanny in their resemblance. The appeal which Mr. Lloyd George made at the Election of 1918 was in almost the identical words of the appeals which were made at the Election of 1931 for the subordination of party interests in favour of national unity. Mr. Lloyd George argued that the country needed a united Government representing all parties to give it effective power to deal with the great work of social reconstruction which was so urgently needed. He described any party intrigues to destroy the Coalition as a crime against humanity. He appealed to every section of the electorate without distinction of party to support the Coalition in a policy devised in the interests of no particular class or section, but for the furtherance of the general good. †

Mr. Lloyd George, in co-operation with Mr. Bonar Law, issued a programme which promised within a few years to give "Britain to the British, social and industrial, and to establish a happier country for all." A great agricultural

Two Historic Parallels

programme was put forward. The Government had very great schemes, necessarily involving a large expenditure of public money for the purchase of land for soldiers who desired to earn a living in cultivation. A great housing programme had also been prepared, and the provision of hundreds of thousands of houses was to be advanced with the utmost rapidity. This programme was paraphrased into the Election slogan: "A Land fit for Heroes."

In a very short time the popularity of the Coalition Government began to decline. The by-elections began to go against them, and in the four years of the existence of this Government the Coalition lost 22 seats. But the most significant fact emerging from these by-elections was the growing strength of the Labour Party in the country, in spite of the weak performances of its Parliamentary group. In these by-elections the Labour Party gained 14 seats and retained 7 it had previously held. It was quite clear that when the General Election came the strength of the Parliamentary Labour Party would be greatly increased.

The successes of the Labour Party were not only due to the unpopularity of the Coalition Government, but were assisted by a re-organisation of the constitution of the Labour Party which had taken place about 1918. Up to that time the constitution of the Labour Party had remained practically unchanged from the date of its formation. It was an affiliation of Trade Unions and Socialist Parties, and membership of the Party could only be secured through the membership of one of these organisations. The reconstituted Labour Party made a provision for the formation of constituency Labour Parties, and these local Labour Parties were given a standing in the National Party, and were entitled to representation at the Annual Conferences. They were also given a separate representation on the Executive of

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the National Party. Individuals could now become members of the Labour Party by joining a local Labour Party without being members of a National Socialist body or of a Trade Union.

The previous constitution of the Labour Party had been such that the Trade Unions by their great numerical superiority had controlled the votes and decisions of the Annual Conferences. The Annual Conferences of the Labour Party were, in fact, a duplication of the Trade Union Congress. The votes of the Trade Union delegates at the Labour Party Conferences were used in exactly the same way as they were used at the Trade Union Congress. The system of "block voting" often gave no true indication of the views of the individual members of the organisation. This objectionable practice still survives in a very large measure. There is no political party in the world which has voting arrangements at its Conference so unsatisfactory as those of the Labour Party. Though the admission of local Labour Parties to representation at the Conferences has not materially changed the voting system or reduced the overwhelming power of the Trade Unions, it has had the effect of bringing into the Conferences a larger number of delegates who contribute an independent view on the larger question of State policy. The formation of the local Labour Parties also provided machinery for the better electoral organisation of the constituencies.

These changes undoubtedly greatly improved the organisation of the Labour Party in the constituencies, and were, I think, largely responsible for the greater success of the Party in the by-elections and in the General Election following the downfall of the Coalition Government. The formation of those local Labour Parties, which had the selection of Parliamentary candidates in their hands, also led to the very desirable

Two Historic Parallels

result of the adoption of a different class of candidate, who was responsible to the constituency and not to a national Trade Union.

The rapid decline of the popularity of the Coalition Government was mainly due to its failure to satisfy the expectations which had been created at the General Election by its lavish promise of social reconstruction. After a time, too, there began to be rumours of a disagreement among the constituent parts of the Coalition. The halo which had surrounded the head of Mr. Lloyd George at the time of the Coalition Election as "the man who won the war" had begun to fade. A section of the Conservatives began to grow restless under his leadership, and were hankering after a return to the party system. This revolt found public expression about the beginning of 1922, and by the middle of the year it had assumed considerable dimensions. Conservative Associations at that time were passing resolutions declaring their desire to be free from the Coalition, and in June a number of Conservative members of Parliament issued a manifesto to the Press declaring that the policies of the Coalition Government were leading the country into chaos, disaster and ruin.

The real reason why the Conservatives desired to break away from the Coalition was their increasing dislike of Mr. Lloyd George. Influential Conservative newspapers began to take up this campaign against the Prime Minister. Mr. Austen Chamberlain had entered into a compact with Mr. Lloyd George to continue the Coalition after the next General Election, but the rank and file of the Conservative Party were determined that such an arrangement should not operate. By October the demand for the break-up of the Coalition had become so strong that the Party leaders were compelled to take action. A meeting of the Conservative Ministers and members of

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the House of Commons took place at the Carlton Club on the 19th October 1922. Mr. Austen Chamberlain made a strong appeal for continuing co-operation with those with whom they had been working. But from the beginning of the meeting it was clear that the anti-Coalitionists were in a large majority. It was at this meeting that Mr. Baldwin emerged as a possible future leader of the Conservative Party. He made a strong speech condemning Mr. Austen Chamberlain for the arrangement which had been made to go to the Election as a Coalition without consulting the Conservative Party. He made a violent attack on Mr. Lloyd George, declaring that it was his firm conviction that if the Conservatives continued to be associated with Mr. Lloyd George the Party would be smashed to pieces. The outcome of this meeting was the passing of a resolution which virtually brought the Coalition Government to an end. Mr. Bonar Law, who, it has been said, had been reluctantly brought to the meeting, came down on the side against Mr. Chamberlain, and his speech was decisive. Never in living memory has the fall of a Government caused so little commotion or evoked so small a measure of individual regret.

This is, very briefly and inadequately, the story of the life and death of the Coalition Government. I have told this story of its rise and fall in order to indicate the influence it had upon the future of political parties in this country. The story carries many lessons, one of which is that this country is no more fond of Coalition Governments than it was in the days when Disraeli said that "Britain does not love Coalitions." The Party spirit is too deeply ingrained in the bones of the British electorate to be uprooted. Its history, too, carries a lesson of present-day significance. The Conservative Party at that time,

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conscious of its strength, was not willing to tolerate a Prime Minister who was not one of themselves. They had been ready to use him when it served their purpose to do so, but when he was no longer an electoral asset to them they ruthlessly threw him to the wolves.

Immediately after the decision of this Conservative Party meeting Mr. Lloyd George tendered his resignation to the King, and His Majesty sent for Mr. Bonar Law, who accepted the invitation to form a Ministry. Mr. Austen Chamberlain had sacrificed his prospects of becoming Prime Minister through his loyalty to a Cabinet colleague. Such loyalty is rare in politics, but loyalty has always been a characteristic of Austen Chamberlain.

CHAPTER XLII

Labour a Parliamentary Party

THE General Election of November 1922 marked the final disappearance from British politics of the old Two-Party system. In all the previous Parliaments from 1906 the Labour members had been so small in number as hardly to be entitled to be regarded as a Party. As I have pointed out in a previous volume, their electoral successes from 1906 to 1918 gave little support to the hope that the Labour Party would become a serious menace to the older political parties. The practice of alternating Liberal and Conservative Governments seemed to be firmly established in our political system.

The Labour Party had been slow in reaching the position of a full-sized Parliamentary Party. From the Election of 1922, however, it emerged as the second largest Party in the State. The Liberals had entered upon this Election as a divided Party. Mr. Lloyd George kept his National Coalition Liberals, and Mr. Asquith's group fought the Election as an independent Party. The platform recriminations between these two sections of the old Liberal Party showed the bitterness of feeling with which they regarded each other. Mr. Lloyd George's Election speeches indicated that he did not desire reunion of the Liberal Party on the old lines. The burden of these speeches was the need for a new party which would comprise moderate men of all parties which would be a bulwark between reaction on the one hand and revolution on the other.

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The result of the General Election, November 1922, gave the Conservative Party in Great Britain 305 seats; the Labour Party 140; the Independent Liberals 55; and Lloyd George's Liberals 50 seats. The old Irish Nationalist Party had disappeared from the British House of Commons owing to the establishment of an independent Irish Government in the Free State. Including 11 Conservative votes from Ulster, the Conservatives had a majority of 80 in the new Parliament. But it is interesting and important to note that the Conservatives secured this majority of seats on a considerable minority of votes recorded. The significance of the change in the strength of parties is shown more impressively from an examination of the total votes cast by the respective parties. They are worth quoting, not only for that purpose, but to illustrate the curious results that can be brought about under our electoral system:

The Conservatives polled . . .	5,474,533
The Labour Party . . .	4,312,030
Independent Liberals . . .	2,651,189
Lloyd George's Liberals . . .	1,428,478

The Labour vote exceeded the combined votes of both sections of Liberals, and was only 1,162,000 votes below that of the Conservative Party. The Conservatives polled only a little over one-third of the votes cast at this Election, and yet they secured a majority of 80 in the House of Commons!

The total Labour poll had risen in sixteen years from 323,195 to 4,312,030 votes.

The Labour Party in the new Parliament was remarkable in another respect. In previous Parliaments the Labour members, with few exceptions, were Trade Union nominees and representatives. Of the 140 members returned to the new Parliament not less than 50

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were I.L.P. candidates or the nominees of the local Labour Parties. The new Party contained a larger element of middle-class people and professional men. The ex-Liberals who had recently come into the Party, including Mr. Trevelyan, Mr. Lees-Smith, Mr. Arthur Ponsonby, Mr. Roden Buxton, Mr. Noel Buxton and Mr. E. D. Morel, had been returned as I.L.P. candidates. We had doctors, lawyers and a parson!

The Labour Party fought the Election on an advanced programme, which included the revision of the Peace Treaty; Work or Maintenance for the Unemployed; the Development of Agriculture; the Nationalisation of Mines and Railways; a National Housing Scheme with the Abolition of Slums; the Abolition of the Poor Law; and a system of Pensions for Widowed Mothers. In the sphere of Finance a Capital Levy on fortunes exceeding £5000; an increase of the Death Duties and of the Super-Tax; and exemption from Income-Tax of incomes below £250 a year. I do not think that this programme made much impression upon the electorate. The main reason for the success of the Labour Party was that the country was sick of the Coalition, and "fed up" with the old political parties.

I fought my Election in Colne Valley on four planks—the record of the Coalition, the Revision of the Peace Treaties, a Capital Levy, and Public Works for dealing with Unemployment.

The new Parliament met on Monday, the 20th November 1922, for the election of the Speaker. Parliament was formally opened by the King three days later. The King's Speech contained not one word about a legislative programme beyond saying that the measures prepared by the late Government would be examined afresh. The absence from the King's Speech of any legislative pro-

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posals was in harmony with Mr. Bonar Law's Election Programme. He had declared that what the country most needed was tranquillity, and that the new Government proposed to give them. "The policy I put forward", he had said, "would be regarded as one of inaction. It is my aim that it should be so regarded. There are times when it is good to sit still and go slowly!"

The day before Parliament assembled, the Labour members met to elect the Party officers for the session. The I.L.P. section of the Party had met previously to decide whom they would support for the Chairmanship. Mr. Clynes, it will be remembered, had held that office for two years, and it was known that he would be put forward for re-election by the Trade Union members. I attended the meeting of the I.L.P. members, which was held at the office in Fleet Street, and took part in the conversation as to whom we should support. I was opposed for several reasons to Mr. MacDonald accepting the position at that time. He had been out of Parliament four years, and Mr. Clynes had held the position of Chairman in very difficult circumstances, and had on the whole done as well as anyone could be expected to do under the conditions prevailing. I felt that it was not quite fair to oppose his re-election to the position, at least for the forthcoming session.

My other objection to Mr. MacDonald taking the chair at this time was that I did not think it likely he would give the Party a vigorous lead. I had seen a good deal of him in such a position when he was Chairman before the War, and his passion for intrigue and compromise, and his desire to be regarded as a "gentleman" by the other parties, disqualified him to lead a party which contained so many members who had come into the House of Commons filled with enthusiasm for a fight. It had

come to my knowledge that Mr. MacDonald had been actively canvassing among his friends for support, and he had been especially concerned to get the support of the new Scottish members. During the time that he had been out of Parliament he had contributed a weekly article to the Glasgow Socialist paper *Forward*, in which he had played up to the Left Wing, an attitude strikingly different from that he had pursued when in the House of Commons in previous Parliaments. At this meeting of the I.L.P. members the Scottish contingent were strong in support of Mr. MacDonald, and even more strongly opposed to the re-election of Mr. Clynes, against whom they remembered many occasions during the previous four years when he had not come up to their standard of leadership.

When the party meeting took place both Mr. Clynes and Mr. MacDonald were nominated, and the election of Mr. MacDonald was carried by a majority of two votes. This meeting was not very fully attended. Many of the Trade Union members who would have given their support to Mr. Clynes were unable to reach the Party meeting in time on account of some Trade Union work which detained them.

The Scottish members to whom MacDonald owed his election were not long in being disillusioned with his leadership, and within two months he became the object of persistent and bitter criticism. I had opposed Mr. MacDonald's election because I was convinced that he would have been far more useful and far more effective in Opposition if he had not had the responsibility of leadership at that time.

Mr. Arthur Henderson was appointed Chief Whip, although he was not then in Parliament. He had been defeated at the General Election. It was expected that he would very soon find an opportunity to return to the

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House of Commons at a by-election. This hope was soon realised. A vacancy occurred at Newcastle through the death of a Labour member, who through illness never had taken his seat in the House of Commons. I went down to Newcastle to support Mr. Henderson. During Mr. Henderson's absence from the House the duties of Chief Whip were undertaken by Mr. Ben Spoor. Mr. Spoor had at one time been a rising hope of the Labour Party, but failing health led to his premature death three or four years later. He lived, however, to act as Chief Whip in the First Labour Government.

The divided state of the Opposition led to a difficulty about who should be regarded as the official Opposition. The Labour Party, as the largest of the Opposition sections, put in a claim to be recognised as the official Opposition, carrying with it the exclusive occupation of the Front Opposition Bench. The Speaker had to be called in to settle the difficulty. He decided that he must take into account the existence of other Parties in Opposition, and it was ultimately agreed that the seats on the Front Bench should be divided between the Labour Party and the Independent Liberals. The Lloyd George Liberals put in no claim to be regarded as a section of the Opposition. This arrangement, though probably the only thing that could be done in the circumstances, led to some inconvenience.

The ex-Cabinet Ministers among the Independent Liberals, who were now led by Mr. Asquith, made little use of the privilege of sitting on the Front Opposition Bench. So far as I can remember, Sir John Simon was the only one who regularly sat amongst us. Mr. Asquith usually sat on the front bench below the gangway, and only came to the box on the Front Opposition Bench when he had a speech to deliver. Mr. Lloyd George sat

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“ remote, a melancholy man ”, in the corner seat on the second bench below the gangway, surveying in silence the House which for nearly twenty years he had dominated, and over which for some years he had been virtual dictator. It was some time before he began to take an active part in the debates.

Coming back to the House of Commons after four years of absence I experienced no new sensations. There was a new Speaker in the Chair, although I had known him in former Parliaments as a Chairman of Committees. The membership of the House had greatly changed. In former Parliaments the Labour Party had occupied a rather inconspicuous position on two benches below the gangway. It now required all the benches above the gangway to accommodate them. Mr. Balfour and Mr. F. E. Smith had been translated to the House of Lords. Mr. Winston Churchill was temporarily absent from the House, having been defeated by a Labour member at Dundee. Mr. Baldwin—an inconspicuous member of the House in my last Parliament—now occupied the important post of Chancellor of the Exchequer. The only new member who had attained to Cabinet rank in the meantime was Sir Philip Cunliffe Lister.

The greatest change from former Parliaments I had known was not merely the increase in numbers but in the character of the Labour members. From the first day of the new session they displayed a militancy which had been lacking in the Labour Party hitherto. The General Election had returned a large contingent of Socialist members from Scotland, and they were all members of the Independent Labour Party. Glasgow had contributed eight of these members, the County Divisions of Lanarkshire five, and from the whole of Scotland there

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were twenty-nine members. It may be mentioned that all the Scottish Labour members, with one exception, were teetotallers.

Their activity in the House of Commons attracted a good deal of attention in the country. Dundee had returned Mr. Scrymgeour, a fanatical prohibitionist, who was not a member of the Labour Party, but he sat with the Labour Party and acted with them during all the time he was in the House of Commons. His burning zeal and high personal character won for him the respect of all parties in the House, although the majority of the members had little sympathy with many of his views. The Scottish Labour members—who became known as “the Clydeside Group”—began from the first day to take a prominent part in the Parliamentary proceedings. In the debate upon the King’s Speech, which was the first business of the new session, they competed with each other to catch the Speaker’s eye. They had all been active Socialist propagandists before coming to the House of Commons, and it was a great opportunity for them to be able to make their speeches with the scried ranks of the capitalists in front of them. To those of us who were well acquainted with the character of outdoor Socialist propaganda, their speeches had a familiar ring. We recognised their speeches as having done duty on many previous occasions. The other parties in the House were very tolerant of these speeches, and were more entertained than indignant at the thundering denunciation of the capitalist system, which was something new to them.

By the end of the debate upon the Address most of the Scottish Labour members had made their maiden speeches, and it was possible to form some idea of their quality. The outstanding man amongst them was Mr. John Wheatley. His first speech marked him out as a man of exceptional ability, an impression which was

sustained and enhanced by his later interventions in debate. Mr. Maxton from the beginning was prominent in the proceedings, but in those days he made little impression upon the House of Commons. Mr. E. D. Morel, who had defeated Mr. Winston Churchill at Dundee, was of a very different type from the majority of the new Labour members. He had come into public prominence by his critical attitude to the War, and had served a term of six months' imprisonment for a nominal offence against the Defence of the Realm Act. He had never been a Socialist nor taken any part in distinctively Labour propaganda. I well remember the effect his first speech in the House of Commons made upon the Tory Party. They had heard of him through his War-time activities, and had imagined him to be a wild and ignorant person. On the contrary he was a man of impressive appearance, a cultured speaker, and an attractive debater. I remember Lord Robert Cecil, after Mr. Morel's first speech, expressing to me his great surprise to find Mr. Morel so different from what he had expected. But, apart from Mr. Wheatley and Mr. Morel, the Scottish Labour members did not impress the House of Commons with their ability. They delivered countless platform speeches filled with vague generalities. They would perhaps have done better if they had waited until they had gained a little Parliamentary experience. But their constituents in Glasgow were expecting them to stir things up, and that they certainly succeeded in doing.

The first debate in the new Parliament centred largely round the question of unemployment. On the second day of the debate I made my first speech in the new Parliament. I had no reason to be dissatisfied with its reception either in the House or in the Press next day. This was the occasion when, after speaking for more than an hour, members called upon me to "go on." One

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of the leading newspapers, in describing this incident, remarked that "Memory could be ransacked without result for an occasion when any man of lesser rank than a Prime Minister was shouted at by the House of Commons to 'go on' when he had been speaking for an hour and had hinted that he ought to stop."

The points of my speech, in which I analysed the causes of normal and abnormal unemployment, were at that time unfamiliar, but they have since become the commonplaces in all discussions on the unemployment problem. I expressed the view that normal unemployment would in the future become greater, if tendencies at work were to be allowed to continue to operate without control, because of the fiercer international competition and the rationalisation of industry. I advocated the development of our national resources, such as land, transport and housing, and insisted on the expenditure of money only on immediately or prospectively remunerative schemes. As to abnormal unemployment which was largely due to the conditions left by the War, I admitted that the remedy was not wholly within our own control. The first remedy was the establishment of peace in Europe and the recovery of foreign trade. I advocated the abandonment of reparations and war debts, which were a curse to the country which paid them and a curse to the country which received them. I advocated the recognition of the Soviet Government, not from any sympathy with Bolshevism—which I described as a "rotten thing"—but because I believed that Russia offered great possibilities for British trade.

After I sat down I received a note from the Speaker which read: "Allow me to thank you very warmly for your speech. Such a contribution raises our debates to a higher standard." And my friend Mr. J. H. Thomas also passed along a note with these characteristic words:



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“Dear Philip, if you never made another speech rest satisfied!” I had spoken from Mr. Lloyd George’s corner seat on the second bench below the gangway. I always regarded this as the best position in the House from which to speak, and I always tried to get it when I was going to make a speech. One is better able to command the House from this position than from any other. The Chamber of the House of Commons is very badly constructed from the point of view of both the speaker and the audience. Wherever one stands he is bound to have a fairly considerable part of the House behind him. I had taken Mr. Lloyd George’s seat on this occasion because it happened to be vacant. Mr. Lloyd George came into the House shortly after I had started speaking, and took the corner seat just across the gangway. When I sat down he leaned across and shook me warmly by the hand. Next day Mr. MacDonald invited me to occupy a seat on the front Opposition Bench.

Sir Laming Worthington-Evans, who followed me, remarked upon the change in my style of speaking since I was last in the House. Next day all the newspapers took this line of comment. “Those with memories”, said one journal, “ marvelled at the change which had come over this Labour orator. They recalled the acidulous attack made on capitalism, the passionately cold sarcasm with which he formerly inveighed against established order, the contempt he poured on old forms of political thought. Time has brought its mellowing influence.” I was not conscious of any change in my style. The explanation of these comments was that the occasion did not call for an aggressive style. There had been no provocation, and my purpose in this speech was to convert the other side, and not to criticize them.

CHAPTER XLIII

A Memorable Debate

THE main incident with which I was associated during the session of 1923 was the famous debate on Socialism in which Sir Alfred Mond appeared conspicuously. This debate aroused greater interest both in the House itself and in the country than any other debate on a private member's motion within living memory. I had won first place in a ballot for private members' motions, thanks to the action of Sir Nicholas Gratton Doyle. We were at the table together about to sign the book. Sir Nicholas was in front of me, and stepped aside and said "You come first." I mildly protested, but accepted his invitation. As it turned out, the number against my name was drawn for first place. If Sir Nicholas had not given way for me he would have won the ballot and the Socialist debate would never have taken place. I had been in the House of Commons for thirteen years, and had never before been successful in a ballot. But, strange to say, the following week I drew first place in a ballot for a motion "on going into Committee on the Navy Estimates."

When the Speaker called my name in the first case I announced that that day fortnight I would call attention to the failure of the capitalist system and move a resolution. It was on my own responsibility that I announced this subject. The Executive of the Parliamentary Labour Party had a list of subjects from which members successful at the ballot might choose, but I ignored this list and decided upon a debate upon Socialism. Up to this time

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the subject of Socialism had never been fully debated in the House of Commons. There was an occasion twenty-two years before when Keir Hardie had a brief opportunity to raise the question. He had taken his chance on a private members' night of being able to raise the subject, but, before his motion could be called, a debate took place calling for a Select Committee to enquire into the system of subsidies to shipping companies. This debate occupied all the time up to twenty-five minutes before the House was due to adjourn. Hardie rose at half-past eleven, and managed in twenty minutes to get in some arguments directed against trusts, landlords and millionaires. His motion was seconded formally by Mr. Richard Bell, then the Secretary of the Railway Servants' Union. Mr. Bell was not a Socialist, but he seconded Mr. Hardie's motion to put it in order for the debate. At five minutes to twelve Sir Frederick Banbury rose to talk out the motion. "Assuming", he said, "that this subject is worth speaking upon at all, the twenty-five minutes which have been devoted to the question are not sufficient to inaugurate a Socialist Commonwealth." He went on speaking until midnight, when, as the official report records: "the debate stood adjourned." It was adjourned for twenty-two years!

The interest in the debate I was to raise was, as I have said, intense, both in Parliament and in the country. For a week before it took place the newspapers had paragraphs and articles every day, and members of Parliament were inundated with requests from their constituents for tickets for the Strangers' Gallery. Socialists from all parts of the country were ready to come to London for this historic occasion if they could be sure of gaining admission. On the day the debate was to take place the Outer Lobbies were crowded with men and women who had come down in the vain expectation that

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by some fortunate accident they might be able to get admission to the House.

In those days the debates on private members' motions were taken at a quarter past eight, and only two hours and three-quarters were allowed for them. As the time for the opening of the debate on a private member's motion fell within the dinner hour such debates were usually carried on to empty benches. But on this occasion members took an early dinner, and at a quarter past eight when I rose to open the debate the House was packed, members crowded into the side galleries, and all the public galleries were uncomfortably full. Two hours and three-quarters is an absurdly short time to discuss such a wide and important question as this. At the opening of the sitting that day, Sir Laming Worthington-Evans had asked the Prime Minister whether, in view of the great interest that was being taken in the Socialist debate, he would agree to give further time for its discussion. Mr. Bonar Law replied that he was aware of the great interest which was being taken in the House and in the country in this debate, and he was willing to set apart the whole of another day for the continuation of the debate.

The motion which I submitted to the House was in the following terms:

"In view of the failure of the capitalist system adequately to utilise and organise natural resources and productive power or to provide the necessary standard of life for vast numbers of the population, and believing that the cause of this failure lies in the private ownership and control of the means of production and distribution, this House declares that legislative effort should be directed to the gradual supersession of the capitalist system by an industrial and social order based on the public ownership and democratic control of the instruments of production and distribution."

In moving this resolution I spoke for an hour, and was listened to with the keenest attention. Many members

of the House had never before heard the case for Socialism stated.

It is difficult in a few paragraphs to summarise a speech of an hour's duration, or even to give a clear indication of the lines of my arguments. The terms of the resolution itself might be taken as a summary of the case for Socialism. I took each point in the resolution, and supplied facts and arguments in support of it. The vast increase in productive power during the nineteenth century had not brought proportionate benefits to the mass of the people; the benefits had accrued mainly to a small percentage of the population, and had left a mass of the population in a condition not much better than when the productivity of their labour was enormously smaller. Private enterprise had assumed the function of managing industry for personal profit, and not as a public service. Such a system did not satisfy the test by which any economic system must be judged, namely, "Does it deliver the goods?" "Does it fulfil its functions?" "Does it distribute its production fairly among the population?"

There was no difficulty, of course, in producing abundant evidence from the facts of the social condition of the people in support of the contention that the economic system did not satisfy these tests. The evils of the capitalist system had during the previous seventy years been somewhat modified by legislative interference; by laws protecting the work-people from the consequences of unbridled competition; by the protection of the consumer against adulteration and against exploitation. But experience had proved that mere regulation was not enough, and the State had been reluctantly but necessarily compelled to take many essential services under public ownership and management, until hundreds of millions of capital was now owned and managed by public bodies.

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This tendency of legislation was an admission that production and distribution was essentially a social service, and should be under social control. But these changes and experiments were too slow and must be hastened. Socialists advocated no revolution by violence, nor did we propose confiscation. That was the longest way to obtain an object, and it was certain to end in disaster. Socialism deprecated violence, knowing that success could only depend on the gradual conversion of the people to their ideals. We advocated that the principles of Socialism which were already embodied in our social system should be gradually extended until the production and distribution of necessary commodities would be under public ownership and control. Capitalism has tacitly admitted that competition was not a good thing by the formation of trusts and combines aimed at the elimination of competition.

Socialism is inevitably the next stage of social and economic organisation. The form of social organisation was mainly determined by the methods of production. When the unit of capital needed for production was small, and when it was generally within the reach of every craftsman, the system of individual ownership was the best social arrangement. But the industrial revolution had changed all that, and reduced the workers to a position of having to depend for the opportunity to work upon the owners of large aggregations of capital. This had created antagonism between the owners of the capital and the workers, and reduced the position of the workers to one of practical servitude. There must be harmony between all the factors in production and distribution in a just system of economic and social organisation. To establish such a condition was the aim of Socialism, a condition where there would be harmonious co-operation between all who were engaged in

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this work. It was the aim of Socialism to establish such a just system by making all who were engaged in industry joint owners and co-operators in producing and distributing the necessities of life.

My resolution was seconded by Mr. Tom Johnston, one of the Scottish Socialist members, who was the editor of *Forward*, a Glasgow Socialist journal. He ended his speech with a final description of the present system as starvation in the midst of plenty, hunger in the midst of superabundance.

When Mr. Johnston sat down Sir Alfred Mond rose to move his amendment, which was in the following terms:

“This House, believing that the abolition of private interest in the means of production and distribution would impoverish the people and aggravate existing evils, is unalterably opposed to any scheme of legislation which would deprive the State of the benefits of individual initiative, and believing that far-reaching measures of social redress may be accomplished without overturning the present basis of society, is resolved to prosecute proposals which, by removing the evil effects of monopoly and waste, will conduce to the well-being of the people.”

Sir Alfred Mond made an extremely clever and amusing speech. No member of the House could have given a more effective reply. He carefully avoided dealing with the case for Socialism which I had put forward. He adopted the method of presenting a burlesque of Socialism and then ridiculing it. He assumed that we were advocating the establishment of a full Socialist State by a revolution on a Saturday afternoon and having Socialism in full working order on Monday morning. Mond knew far better than that, for I had often had conversations with him on Socialism which was a subject he thoroughly understood. But he also understood the audience he was addressing that evening, and he knew that three-quarters

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of them had no knowledge at all of its scientific basis; and so he adopted the method of *argumentum ad ignorantiam*.

He brought out the usual criticisms of Socialism which had no relation to the subject and so often had been rebutted. Socialism would reduce men to one dead level and destroy all initiative and enterprise. He showed how ridiculous it was to divide up the wealth of the country, and pointed out how Socialism had been tried in China 150 years before and had ended in a dismal failure! He wanted to know if, under Socialism, there would be no syphilitic children, no drunkards and no children of drunkards. He pretended that Socialism aimed at the destruction of capital, and worked out the idea at length that the capitalists were almost universal today, and that in the aggregate a large amount of capital was owned by people of moderate means. The idea of making money out of labour is a fallacy, he said, and then he sent the House into convulsions by declaring "I can make money anywhere!"

The one substantial point that he made was that when units of capital became very large it was impossible for business management to effectively direct them. He practically a few years later destroyed this argument by forming one of the largest amalgamations in British industry—Imperial Chemicals.

His speech undoubtedly was a great success from the point of view of the opponents of our resolution, and next day the capitalist press hailed it as a crushing exposure of the fallacies of Socialism. That evening's famous debate was concluded by a speech by Sir Philip Cunliffe Lister, President of the Board of Trade, and then the adjournment of the debate was moved by Sir John Simon, to be resumed at a later date.

It was not until three months later—on the 16th July

—that the Government found time for the continuation of the debate. The whole of that sitting was devoted to its discussion. A number of very excellent speeches were made. Mr. Clynes, Mr. Dan Irving (a very old Socialist), Mr. Arthur Henderson, and Mr. MacDonald spoke in support of the Socialist motion. Mr. Lloyd George and Mr. Amery (who, I believe, in his University days was something of a Socialist) and Sir John Simon spoke in opposition. Mr. Lloyd George's speech was particularly interesting, and was the only speech delivered in opposition to our motion which really faced up to the question. He pointed out that speeches in opposition to the motion had been confined to trying to demolish the case made in my opening speech. This, he declared, was not sufficient. They had got to admit the difficulties and injustices of the existing system and the inevitable evils which were associated with it, and to put forward a practical alternative which would remove the evils of monopoly and waste. Those who were anxious to preserve the present system ought to be the most anxious to remedy the evils which arose from it.

At eleven o'clock the division was taken, and there voted for the Socialist resolution 123 and against it 369 members.

Thus ended a memorable debate, the recollection of which will live in the memories of those who listened to it. This debate had created enormous interest abroad, particularly in the United States, Canada and the British Dominions. Papers like the *New York Times* devoted front-page columns of descriptive account.

The fact that the British Government had regarded the matter so seriously as to offer the time of the House of Commons for its discussion led them to assume that Socialism had now become the big issue in British politics.

CHAPTER XLIV

Labour Forms a Government

FEW incidents of importance occurred during the Parliamentary Session of 1923 apart from the death of Mr. Bonar Law and the appointment of Mr. Baldwin to the Premiership. The emergence of Mr. Baldwin from what I have described as the comparative obscurity of a private member to the Premiership and leadership of the Conservative Party is one of those strange incidents which it is difficult to explain. I was not in Parliament during the Coalition Government and I cannot say, therefore, whether he made any impression on the House as President of the Board of Trade, but he certainly was not a well-known political figure in the country. His case is similar in many ways to that of Sir Henry Campbell-Bannerman. Both owed their elevation to Party leadership to existing divisions within their respective Parties, and both displayed a capacity in their high positions far beyond what had been expected.

Mr. Baldwin, who previous to his appointment to the Premiership was Chancellor of the Exchequer, had presented the Budget for 1923 in the previous month. When he reconstructed his Ministry a very surprising thing happened. He offered the Chancellorship to Mr. Reginald McKenna, who was Chairman of the Midland Bank. Mr. McKenna, whose Liberalism had been for a long time suspect, was still considered a Free Trader; and the public could not understand why Mr. Baldwin, who was a strong Protectionist, should wish to have Mr. McKenna

in a key position in his Cabinet. The invitation to Mr. McKenna caused not only surprise but a good deal of resentment within the Tory Party.

Mr. Baldwin for some time after his appointment to the Premiership nominally retained the post of Chancellor of the Exchequer pending Mr. McKenna's decision on the invitation. He left the conduct of his Budget through the House of Commons to Sir William Johnson-Hicks, who was Financial Secretary to the Treasury. Joynson-Hicks made a favourable impression on the House of Commons by the skill with which he discharged this difficult task. He showed a grasp of the financial problems involved, and displayed an urbanity which won universal approbation. He was bitterly disappointed at not being given the Chancellorship. I remember a conversation I had at that time with him when I congratulated him upon his success as Financial Secretary, and he replied: "A great many of my Conservative friends think that Mr. Baldwin need not have gone outside the Party to find a Chancellor when he had within it a man who had proved his capacity for the position". It was not until August of that year that Mr. Baldwin filled the post of Chancellor of the Exchequer when Mr. McKenna definitely declined the offer on the convenient excuse of ill-health. Mr. Neville Chamberlain was made Chancellor, and Sir William Joynson-Hicks was given consolation by being appointed Minister of Health with a seat in the Cabinet.

In October of this year (1923) Mr. Baldwin sprang a surprise upon the country with a speech at Plymouth which indicated that he was thinking about a General Election on the question of Protection. The Conservative Party at that time were under a pledge given by Mr. Bonar Law at the previous General Election that within the lifetime of the existing Parliament no steps would be taken to fundamentally change the fiscal policy of the country.

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In his Plymouth speech Mr. Baldwin said that he had come to realise that the unemployment question was the most crucial problem before the country. He was willing to fight it, but could not fight it without weapons. He had come to the conclusion that "if we go on pottering along as we are we shall have grave unemployment with us to the end of time. I have come to the conclusion", he said, "that the only way of fighting this subject is by protecting the home market. I am not a clever man." Five days later at Swansea he went a step farther and elaborated his declaration that protection of the home market was the only remedy for unemployment.

When Parliament met on the 13th November Mr. Baldwin informed the House of Commons that he had reached a definite conclusion on the subject of unemployment. He was not prepared to continue in office unless he could get a mandate from the country for a Protectionist policy. Two days later he defined his Protectionist policy in greater detail to the House of Commons, and concluded by announcing that he had advised the Crown to dissolve Parliament. A momentous General Election followed: an Election which was fought solely on the question of Protection, and which led to a result which made the Labour Party the Government of the country.

The General Election following Mr. Baldwin's decision to appeal to the country on the question of Protection was held on the 6th December 1923. The Labour Party manifesto on which its candidates fought this Election challenged the Tariff policy and the whole conception of economic relations underlying it. "Tariffs", they declared, "are not a remedy for unemployment. They are an impediment to the free interchange of goods and services upon which civilised society rests. They foster a spirit of profiteering, materialism and selfishness, poison the life of nations, lead to corruption in politics, promote

trusts and monopolies, and impoverish the people. They perpetrate inequalities in the distribution of the world's wealth won by the labour of hands and brain."

The Liberal Party were, of course, equally opposed to Protection. The result of this General Election was that the Conservatives lost nearly 100 seats and returned 255 members; the Liberals (who had now become nominally united) won about 40 seats and returned 158 members; and the Labour Party increased its membership of the House of Commons from 144 to 191. This result was an overwhelming defeat for Protection, and the magnitude of the victory is seen even more strikingly than in the number of seats won by Free Trade candidates in the total number of votes recorded for Free Trade and Protection respectively. The Conservatives polled 5,544,540 and the Free Trade candidates 8,722,706 votes. Never in the history of this country, when a definite issue was submitted to the electors, had they given a more decisive verdict.

It will be noted that the position left by the General Election gave no Party a majority of votes in the House of Commons. If His Majesty's Government were to be carried on under these circumstances it was obvious that some arrangement or understanding would have to be made between Parties. There were four possible courses—a Conservative Government relying for support upon an arrangement with the Liberal Party; an arrangement between the Conservatives and the Labour Party; an arrangement between the Labour Party and the Liberals; a National Government where the Ministry was drawn from members of all the three Parties. The second and fourth of these possibilities were clearly out of the question. The Labour Party would not for a moment enter into arrangements with the Conservatives, and it

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seemed equally improbable that the Liberals would agree to keep in office a protectionist Conservative Government. After the recent experience of the Coalition Government a return to anything of that sort was equally improbable. There remained, as the only course, a Labour Government maintained in office by some understanding with the Liberal Party. In view of the closeness of the aggregate votes of the Labour and Liberal Parties, neither Party could afford to treat the other with superiority.

It is difficult to convey an impression of the sensation which was created in political circles, and indeed throughout the country, at the possibility of a Labour Government. Two years before such an event seemed far remote. No change in the political situation had ever before in such a short time happened in British politics. The Conservative newspapers made frantic appeals to Mr. Asquith to save the country from such a disaster.

The situation was clarified in a speech made by Mr. Asquith on the 18th December to the Liberal members of Parliament. He declared that the Liberal Party would not make any alliance or arrangement with the Conservatives. When Parliament met the Liberals would take the first opportunity of dismissing the Conservatives from office. He expected that the Labour Party, as the second largest Party in Parliament, would assume the responsibility of governing, and in that event he could assure them that the Liberals would do nothing wantonly to hamper the course of government. Mr. Lloyd George expressed his complete agreement with the position as stated by Mr. Asquith.

The National Executive of the Labour Party had met on the 12th December, and adopted a resolution declaring that should the necessity arise the Party should undertake the responsibility of forming a Government. It is difficult to see what other course could have been adopted by the Labour Party. If they had declined to take office, and

stepped aside to permit the Liberals to do so, it would obviously have been regarded as an act of cowardice indicating that they felt themselves incompetent to undertake such a responsibility.

About this time Mr. MacDonald was writing articles and making speeches in the country, in which he was making statements not calculated to promote friendly relations with the Liberals, on whose support he would have to rely if he took office. In an article in the *New Leader*, the organ of the I.L.P., of 14th December on the General Election he said: "The Liberals fought us generally with a petty nastiness. The common report from our candidates is that the dirtiest hitting came from Liberal opponents."

The Conservative Government decided not to resign in consequence of the Election results, but to meet Parliament. This was, no doubt, the correct constitutional thing to do, as the Conservatives were the largest Party in the House.

The evening before the day when the National Executive of the Labour Party decided that the Labour Party should take office should the opportunity arise, a few of us met at dinner at Sidney Webb's house to discuss the situation. There were present Mr. MacDonald, Mr. Henderson, Mr. Webb, Mr. Clynes, Mr. Thomas and myself. The news was in the evening papers that Mr. Baldwin had decided to meet Parliament. Mr. MacDonald expressed intense relief at the news, as it left open the possibility that arrangements might be made by which he would not have to accept the responsibility of forming a Government. He said that he was dismayed at the prospect of having to take office. This probably explained why, since the Election, he had taken the line in his writings and speeches of doing what he could to antagonise the Liberal Party. He told us that he had been looking through the list of

Labour M.P.'s, and was appalled at the poorness of the material.

I had a good deal of sympathy with him in the tremendous task which seemed likely to fall upon him. It was a prospect which nobody could envy him. 'The Labour Party was composed in the majority of new and undisciplined members who would expect the Labour Government to do all sorts of impossible things. We discussed at great length the question of whether, if called upon, we would form a Government, and ultimately agreed, for the reasons I have already stated, that we had no choice but to do so.

The talk then turned upon what our policy and programme as a Government should be. There was a general agreement that the Capital Levy had now become an electoral millstone, and that the financial and trade condition of the country was such as to make the proposal impracticable. We agreed that something would have to be done with the National Debt problem, and we considered that the best course to take would be to appoint a Committee to enquire into the whole problem. If this Committee reported against the Capital Levy we should drop it; but if the report was favourable to such a scheme we would give a pledge not to adopt it until the country had given a Parliamentary majority in favour of it.

The conversation turned upon what we might be able to do in the first session. There would be two courses open to us. We might use the opportunity for a demonstration and introduce some bold Socialist measures, knowing, of course, that we should be defeated upon them. Then we could go to the country with this illustration of what we would do if we had a Socialist majority. This was a course which had been urged by the extreme wing of the Party, but it was not a policy which commended itself to reasonable opinion. I urged very strongly to this

meeting that we should not adopt an extreme policy, but should confine our legislative proposals to measures that we were likely to be able to carry. It was no use getting swelled head and imagining that we were omnipotent. We must remember that we were less than one-third of the House of Commons. We must show the country that we were not under the domination of the wild men. Mr. MacDonald was afraid that we should have a good deal of trouble with the extreme section, who would press upon us and expect us to do all kinds of impossible things. Mr. Thomas emphatically agreed with my view. Mr. Henderson pointed out that we should be bound by Conference resolutions, and particularly by the resolution to increase unemployment pay to £2 a week.

We tentatively agreed that we should recognise the Soviet Government, but we left over the consideration of the conditions until we were in office. We agreed that we must at once take administrative action to remove certain injustices in the Unemployment Insurance Act, particularly to remove the gap. In regard to finance, I was asked what I thought were the possibilities of reducing taxation. If I went to the Exchequer I was anxious not to raise expectations which I might be unable to fulfil, so I said that possibly we might be able to reduce the food taxes.

Nothing was said about the allocation of Ministerial offices beyond that this should be left to the Prime Minister, Webb urging that we should follow in this respect the usual constitutional practice. In the course of general conversation, Henderson, who was not then a member of Parliament (having again been defeated at the General Election), expressed willingness to go to the House of Lords as a life peer. That raised the question of our representation in the House of Lords. Under the law there would have to be at least two Secretaries of State in that Chamber. It would be necessary to create peers

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to meet that condition, and we all agreed that in the selection of men for that elevation we should try as far as possible to choose men who would not have an heir so that the peerage should not be permanent.

Henderson and I went home together, as we lived within a few doors of each other. When we parted, Henderson expressed some misgiving about leaving the appointment of Ministers wholly to MacDonald, and hoped that he would consult us freely upon this important matter before finally coming to a decision.

After this meeting Mr. MacDonald went to Lossiemouth, which is a small fishing village on the Morayshire coast. Here he spent his time drawing up draft after draft of his Ministerial appointments.

At Christmas-time Mr. Henderson and his son came down to see us at Tilford and stayed for the week-end. Henderson was very full of the political situation, and had apparently been in correspondence with MacDonald on the formation of the probable Labour Government. MacDonald had written to him to say that he had drafted two preliminary lists of Cabinet and Ministerial offices. In one he had left Henderson out altogether on the understanding that he should devote himself to organising the Party in the country. In the other list he put Henderson down as Chairman of Ways and Means! This latter suggestion outraged Henderson. It certainly was offensive, and I considered that Henderson's indignation was justified. It showed what tactless things MacDonald could do sometimes. The office of Chairman of Ways and Means was not even a Ministerial post.

We talked about possible men to fill the various offices. It had been generally assumed that Lord Haldane would be a member of the Labour Government. I believe he was not a member of the Party, but he had shown considerable sympathy with it, and had addressed a few

Labour meetings in the country. Henderson said that he understood that Lord Haldane had expressed a preference for the India Office. Henderson, who appeared to have been very busy consulting various people, said that he had suggested the Colonial Office to Sidney Webb, who had turned it down as not good enough. Thomas had told Henderson that he would not take the Air Ministry because it was not a first-class Secretaryship. MacDonald had told Henderson that he had definitely decided to combine the Premiership and the Foreign Office, and that Clynes would be given the post of Lord Privy Seal in order that he would have leisure to lead the House in MacDonald's absence. So far as Henderson knew, MacDonald was going to appoint non-Trade Unionists to all the best offices, and he anticipated that there would be strong resentment from the Trade Union section, who would consider that their numerical strength in the Party and their financial contributions to it entitled them to a large share in the Ministerial posts.

Both Henderson and myself in these conversations expressed our resentment at MacDonald's secrecy, and thought that he ought to be in London in regular consultation with his colleagues. Henderson thought that we ought to have sought from MacDonald that night at Webb's some indication of how he proposed to fill the particular offices. Henderson's temper is mercurial, and at this time he was not very friendly towards MacDonald. But the relations between the two have never been very cordial. On each side there is some excuse.

Mr. Lloyd George, who is a near neighbour of mine in the country, called in the afternoon of 3rd January 1924. The talk naturally turned on the political situation. The name of Lord Grey cropped up, and Lloyd George said that Grey was not being consulted by Asquith about the action of the Liberal Party. In regard to the political

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crisis and the likelihood of a Labour Government, Lloyd George said that MacDonald's vanity might ruin the Labour Government. This expectation was fulfilled within twelve months.

As an indication of the fear with which the Conservatives regarded the advent of a Labour Government, it may be mentioned that the City of London Conservative and Unionist Associations sent to the Press on 2nd January a letter they had addressed to Mr. Baldwin urging that the Conservative Party should support a Liberal Government in order to exclude Labour from office. Mr. Baldwin replied that co-operation was impossible in view of Mr. Asquith's speech at the National Liberal Club on the 18th December, in which he had stated that the Liberal Party would enter into no sort of alliance or arrangement with the Conservatives.

The meeting of the new Parliament had been fixed for the 8th of January. Mr. MacDonald had returned to London a few days before this date, and although I had no communication with him I learnt from other sources that he was busy putting the finishing touches to the draft of his Cabinet. On the morning of this date Mr. Henderson looked in on his way to his office to tell me that he had seen Mr. MacDonald. It was definitely fixed that I was to go to the Exchequer. I had had no intimation from Mr. MacDonald of this. Webb would probably be Minister of Labour, with Miss Bondfield as Under-Secretary. MacDonald had offered Henderson the War Office. Henderson was indignant at this because to face a by-election as a War Minister when he held the office of President of the Socialist International would provide the enemy with material for attack. Moreover, he did not want the War Office job. He would prefer the Home Office, which would leave him free to supervise the Labour headquarters in Eccleston Square. Thomas, said

Henderson, had changed his mind about the Colonies. He had been looking up precedence, and he thought that the post of the Colonies was higher in precedence than the War Office or the Admiralty. But Thomas had said that if he could not have the Colonies he would demand the Home Office.

MacDonald proposed to put General Thomson into the Lords as Air Minister, and might make Cecil Wilson, the member for Attercliffe, an Under-Secretary in the Lords in order to give Henderson a by-election at Attercliffe. In the sketch Cabinet MacDonald had left out Tom Shaw altogether from any office. This seemed incredible, but Henderson assured me it was a fact. MacDonald had also the idea of making Trevelyan Health Minister. I could not accept this rumour, knowing as I did what MacDonald thought of Trevelyan's capacity. Stephen Walsh had been put down as Chancellor of the Duchy of Lancaster.

I thought there was little foundation for some of these rumours, and as the events turned out this proved to be the fact.

Parliament met in the afternoon of this day (8th January). I saw MacDonald for a moment in the Lobby, but he said nothing at all to me about Ministerial appointments.

The next few days were occupied by the swearing in of members, and it was not until 15th January that the Commons got down to business. Two days later, on 17th January, Mr. Clynes moved the Labour Amendment to the Address, which was very brief. It read: "It is our duty to submit to Your Majesty that Your Majesty's present advisers have not the confidence of this House." Mr. Asquith followed Mr. Clynes, and made a speech which settled the fate of the Conservative Government and prepared the way for the coming of the Labour Party into

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office. Mr. Asquith took it for granted that the Amendment would be carried, that Mr. Baldwin would resign, and that the King would summon Mr. MacDonald to form a Labour Government.

Mr. Asquith's speech is an historic document. I wish I had space to reproduce it in full, but I must quote certain parts of it if only to explain his views about the unprecedented situation in which the House of Commons found itself.

"I think" [he said], "and I am sure I shall have with me the great majority of the House, that it is plain that when an administration so situated resigns, the Party which naturally and properly succeeds to the task, if it is minded to undertake it, is the Party that is numerically preponderant in the Opposition. The problem, of course, was relatively a simple one in the old days, though it is a mistake to suppose, historically, that the so-called two-party system was ever really water-tight. In the early days of the nineteenth century there was a rift of opinion in the Tory Party on the subject of Catholic emancipation, which had a constant and very disturbing effect on the composition of Governments. After the repeal of the Corn Laws in 1846, the Peelites, as they were called, a small but exceptionally able and, I may add, highly elusive body of gentlemen, gave the orthodox Whig leaders, Lord John Russell and Lord Palmerston, who did not like to live with them, but could not live without them, cause for perpetual anxiety. . . . Under the present conditions, unexampled as they are—though they are not unlikely to recur, as far as I can forecast the future, and in providing for them we must consider very carefully the methods we adopt—I think there is no ground for departing from the normal usage, and if the Labour Party is willing, as I understand it is, to assume the burden of office in such conditions, it has the absolute undoubted right to claim it.

"My hon. friend the Leader of the Opposition (Mr. MacDonald) has more than once said in public that it is not an enviable task. I will go further; I will say that it is not a task that any far-seeing man would consent to undertake except under a strong compelling sense of public duty. Of that I am perfectly certain. . . .

Viscount Snowden's Autobiography

"It is said that it is not an ordinary case of the transfer of power from one party to another. It means, for the first time, the installation of a Socialist Government in the seats of the mighty. Few people who have not had the melancholy privilege of reading my post-bag for the last month will realise what this prospect means to a large and by no means negligible mass of our fellow-subjects. I have never come across more virulent manifestations of an epidemic of political hysteria. Notwithstanding my own compromising past, I have been in turn, during these weeks, cajoled, wheedled, almost caressed, taunted, threatened, browbeaten, and all but blackmailed to step in as the 'saviour of society.'

"I can remember that in the Parliament of 1892 we were told in the gloomiest of tones, but with the utmost assurance, not only that our country houses would be closed, but, what is of more importance, that British capital—see how things repeat themselves—was going to take the wings of the morning and fly away from this tax-ridden country to the more favoured fields of investment under foreign skies. All these things repeat themselves. I, having seen the country survive some, at any rate, of these successive shocks of ruin, real or imaginary, decline altogether to believe that the sun is going to set on the power and prosperity of Great Britain on the evening of the day when my hon. friend the Leader of the Labour Party takes his seat on the Treasury Bench.

"I have spoken, of course, at a respectful distance about the Conservative Party. I can speak with more intimacy and knowledge of my own Party, and I am perfectly certain that the vast majority, if not the whole, of the Liberal Party would have repudiated such a combination. Indeed, the only people who would have benefited by it, and, therefore, ought to have welcomed it, are the Labour Party. If I could dive into the inmost recesses of their bosoms I am perfectly certain I should find that they were chuckling at the thought of this combination. And for two very good reasons. In the first place, it would relieve them of certain very obvious embarrassments, which may even at this moment be causing a certain amount of anxiety. Not only so, but, what is more important, it would have secured them tens and hundreds of thousands of votes in the country. As far as I am concerned, as I have already publicly declared, I will have no part or lot in any such manœuvre.

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“What is the real situation? Nothing can be more absurd than the contention that, because by voting for this Amendment you turn out the present Government the House of Commons is giving a blank cheque, a free letter of licence, to the successors of the Government to do what they please with the interests and the institutions of the country. Nobody knows better than the Leader of the Labour Party that that is an absurd contention. They, like the rest of us—we are not in this matter our own masters—are and shall be limited by the Parliamentary conditions which the Election has created. We of the Liberal Party are deeply and sincerely pledged to give no more countenance to a Socialistic experiment than to a Protectionist experiment. We are not going to be false to those pledges, as will be seen if and when we are put to the test. I am speaking what everyone knows to be true when I say that, with a House of Commons constituted as this House is, it is idle to talk of the imminent dangers of a Socialist régime. In legislation, as in all important matters of administration, the House of Commons is and must remain supreme.

“In the meantime, difficult as the conditions are, the King’s Government must be carried on. The present Administration are disqualified by the judgment of the country—a judgment which they themselves invited. As I have already said, their natural and appropriate successors in existing conditions are the Labour Party. It is the duty of every patriotic man and woman, I say without doubt or hesitation, to do what they can, without sacrifice of principle or honour, to facilitate their task. There is not, and cannot be, any question of coalition or of fusion. The differences which divide us on fundamental issues of national policy cannot be bridged or veiled by insincere accommodation. But, and this is my final word, in the important sphere of social legislation, where progressive thought has grasped the same ideals, and is ready to proceed for their attainment to great lengths on common lines, there is no reason why there should not be co-operation, not merely between the Liberal Party and the Labour Party, but, I would hope, real co-operation between large numbers of all parties.”

I have quoted these extracts of Mr. Asquith’s speech because they state so admirably and so clearly the existing

position, both as to the prevailing state of political opinion, the difficulties of the situation, and the attitude of the Liberals to the prospective Labour Government.

The vote of lack of confidence in the Government was carried by 328 to 256 votes. Next day, the 22nd January, Mr. Baldwin announced to the House of Commons that he had tendered his resignation to the King and that His Majesty had accepted it, and the House adjourned to 12th February. The King sent for Mr. MacDonald, who became Prime Minister, and with unprecedented expedition the Labour Government was formed. The same day the list of names of the Labour Cabinet was issued.

It had come at last! Few of us who had toiled through the years to achieve this object had expected to see it realised in our lifetime. It was true that the first Labour Government was brought into existence by accidental circumstances and not by the will of the majority of the electorate. Labour was in office, but not in power, and it depended for its continuance in office upon the good-will and support of a Party with which it had been in political conflict from the time of the inception of the Labour Party. The future of the Labour Government depended upon whether it realised the difficulties and the limitations of its position. It did not, as I have said, owe its accession to office to the support of a majority of the electorate to a Socialist policy. It had no mandate to carry out far-reaching Socialist schemes, but it was in the position to carry through the House of Commons schemes of social reform which were common to the Liberal and the Labour Parties. The immediate future would decide how far such co-operation was possible.

Two days before Mr. Baldwin resigned, Mr. MacDonald called into his room at the House those members of the House of Commons he proposed to include in the Cabinet.

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Up to that time I had had no formal invitation to join the Government, but it had been assumed that I should take the office of Chancellor of the Exchequer. At this meeting Mr. MacDonald threw across the table to me a pencilled note written on an envelope which said: "I want formally to ask you to accept the office of Chancellor to the Exchequer." I nodded my acceptance. I should think there would be no precedent for such an informal offer and acceptance of a Cabinet post.

The question we had to decide at this meeting was our visit to Buckingham Palace to receive our Seals of Office. Sir Maurice Hankey, the Secretary to the Cabinet and the Clerk to the Privy Council, now came upon the scene. He was very much concerned that we should go through the ceremony at the Palace with due regard to all the conventional proprieties. The first difficulty which arose was about dress. The instructions were that we should put on frock-coats and wear silk hats. Several of the prospective Cabinet Ministers lived in the provinces and had no residence in London. They had no clothes in London except the suits in which they stood. There was no time to get new clothes; there was nothing for it but to go to the Palace in their working attire. The situation was placed before Lord Stamfordham, the King's Private Secretary, who was a great stickler for Court etiquette, but eventually he had to agree that the usual conditions should be set aside, and several of the new Cabinet Ministers went to the Palace in ordinary lounge suits. Other members appeared to have been successful and managed to drag from some obscurity a frock-coat and silk hat which might have been fashionable a generation before.

Sir Maurice Hankey, who was extremely anxious that

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there should be no hitch in the proceedings, put us through two or three rehearsals of the ceremony. Everything, however, passed off without a hitch, greatly to Sir Maurice Hankey's relief. I was unable to conform to the condition of a frock-coat. I had once possessed one, but some time before I had sent it to a jumble sale. I managed, however, to find a morning coat and a silk hat.

The following is a list of the first Labour Cabinet Ministers:

Prime Minister and Foreign Secretary	Mr. J. Ramsay MacDonald
Lord Privy Seal	Mr. J. R. Clynes
Lord President of the Council	Lord Parmoor
Lord Chancellor	Viscount Haldane
Chancellor of the Exchequer	Mr. Philip Snowden
Home Secretary	Mr. Arthur Henderson
Colonial Secretary	Mr. J. H. Thomas
First Lord of the Admiralty	Viscount Chelmsford
Secretary for War	Mr. Stephen Walsh
Secretary for Air	Brigadier C. Birdwood Thomson
Secretary for India	Sir Sydney Olivier
President of the Board of Trade	Mr. Sidney Webb
Minister of Health	Mr. John Wheatley
Minister of Agriculture	Mr. Noel Buxton
Secretary for Scotland	Mr. William Adamson
President of the Board of Education	Mr. Charles P. Trevelyan
Minister of Labour	Mr. Thomas Shaw
Postmaster-General	Mr. Vernon Hartshorn
Chancellor of the Duchy of Lancaster	Col. Josiah Wedgwood
First Commissioner of Works	Mr. F. W. Jowett

Of the twenty members constituting this Cabinet thirteen belonged to the non-Trade Union section of the Labour Party. There were seven who were Trade Union

THE FIRST LABOUR CABINET, 1924.

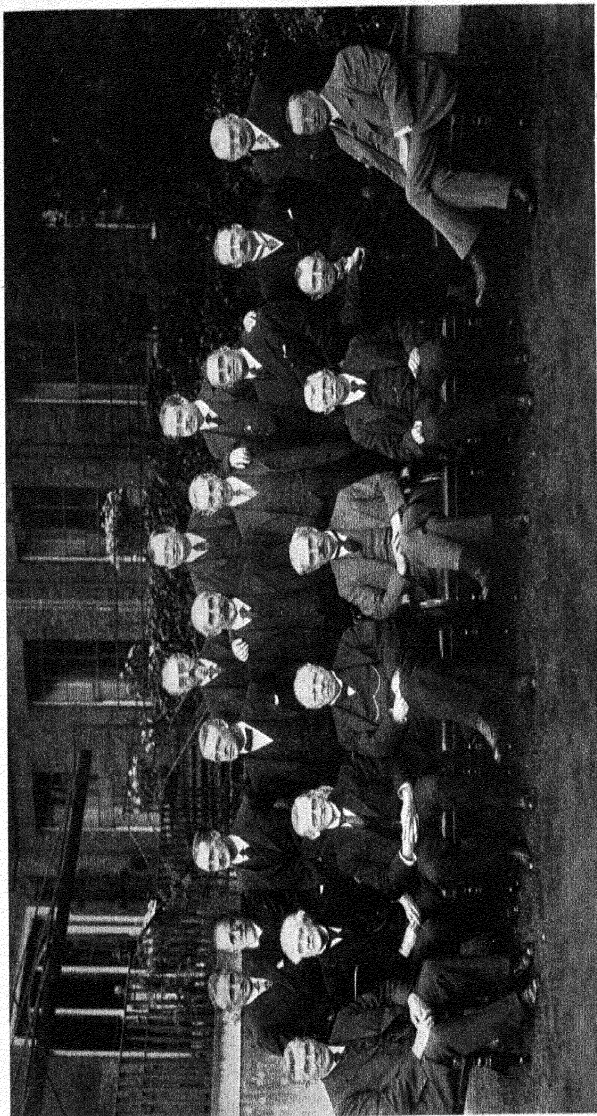


Photo by Elliot & Fry.
Back Row. Mr. Trevelyan, Mr. Walsh, General Thomson, Lord Chelmsford, Mr. Webb, Sir S. Olivier, Mr. Wheatley, Mr. Buxton,
Sitting. Mr. Adamson, Lord Parmoor, Mr. Snowden, Lord Haldane, Mr. MacDonald, Mr. Clynes, Mr. Thomas, Mr. Henderson.

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members. The Trade Unionists regarded this small representation of their section of the Labour Party with a good deal of dissatisfaction, and their resentment was strong at the inclusion in the Cabinet of so many men who had no record of service in the Labour Movement and who had done little or nothing to create the Labour Party. The greatest surprise was the appointment of Viscount Chelmsford as First Lord of the Admiralty. This appointment had been kept secret until the announcement was made public. Lord Chelmsford had had a distinguished career as Viceroy of India. He had never in the slightest degree been associated in any way with the Labour Party. Indeed, I believe that during the time he held office in the Labour Government he was not a member of the Labour Party. Lord Haldane, as I have said previously, though he expressed sympathy with the Labour Party, was not a member at the time of his appointment. Lord Parmoor, General Thomson, Noel Buxton, Trevelyan and Colonel Wedgwood were all comparatively recent recruits to the Party.

The publication of the names of the Cabinet had a reassuring effect upon that section of public opinion which had been in terror about the advent of a Labour Government. The most timid Conservatives and the most frightened capitalists took heart from the presence in the Cabinet of men like Lord Parmoor, Lord Chelmsford and Lord Haldane; they could not believe that these men would be the instruments for carrying out the Socialist Revolution.

Something like consternation had reigned in aristocratic and financial circles at the prospect of a Labour Government. A countess rang me up during this time of suspense to ask me frantically (she had been reading the *Morning Post*) if it were true that the first thing the Labour Party would do would be to cut the throats of

every aristocrat and steal all their property. I tried to pacify her by assuring her that the prospective Labour Government had not yet decided what its first administrative act would be, but if it should decide to realise her fears it would be able to plead a good many historical precedents on the part of her ancestors. I finally assured her, however, that it was not likely that her personal safety would be in jeopardy, and she went away happy.

About half the minor offices were distributed among Trade Union members, and the other half were given to the non-Trade Union element. Some surprise was caused by the absence of the name of Mr. Lansbury from the new Ministry. I was told that Mr. MacDonald had offered Mr. Lansbury an Under-Secretaryship without a seat in the Cabinet, and Mr. Lansbury had indignantly declined the offer.

I think, on the whole, Mr. MacDonald had made the best of the material at his service. Only one Labour member of the Government had previously held a Cabinet post. Mr. Henderson had been a member of the War Cabinet in the Coalition Government, and two other members of the new Cabinet had held subordinate positions in that Government. Mr. MacDonald was wise in including in his Cabinet one member who had had a long Cabinet experience, namely Lord Haldane. There was no member of the Labour Party who was qualified to take the position of Lord Chancellor. As it turned out, Lord Haldane's long experience proved to be of the greatest service to the inexperienced Labour Government. Lord Haldane, as I have said, had never been a member of the Labour Party, but he was in sympathy with many of its ideals. During the construction of the Cabinet he had expressed, he told me after, a desire to take the India Office, but his legal qualifications obviously

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fitted him for the post of Lord Chancellor—an office he had held in Mr. Asquith's Government. He told me, also, and I believe he makes the statement in his "Reminiscences," that the main reasons which induced him to join the Labour Government were that he might help in a forward education policy and in the development of a national scheme of electricity generation and distribution. He often expressed to me his keen disappointment that the Labour Government did not use him more for constructive work on these two great problems.

During the time Lord Chelmsford held office as First Lord of the Admiralty he did not concern himself with matters outside his own Department. I was brought closely in contact with him in the protracted negotiations which annually take place between the Admiralty and the Exchequer on the Navy Estimates. Lord Parmoor had only recently joined the Labour Party, and his conversion was something of a phenomenon. He had been a high Tory and a devoted Churchman—the last man in the world, one would expect, to ever become identified with the Socialist movement. He had become associated with our movement during the War mainly because of our opposition to conscription and our defence of civil rights. He had a very kindly and sympathetic nature. He held very strong Free Trade views, and I could always count upon him to support me in defence of that policy.

General Thomson, who afterwards became Lord Thomson, was another member of the Cabinet who had come into the Socialist movement because of his strong dissatisfaction with the Peace Treaties. He had acted as one of the military advisers at the Paris Conference. I well remember my first introduction to him. He called at the Independent Labour Party's office one day shortly

after the end of the War, when I was acting as editor of the publications department, to submit to me a manuscript of a book on the consequences of the Peace Treaties on the future relations of European countries. I published the book for him under the title *Old Europe's Suicide*.

The only other member of the Cabinet to whom at this point I may make a special reference was Mr. Tom Shaw. Mr. Shaw was born within five miles of my native place, and had lived in that district up to the time of his return to Parliament in 1918. Mr. Shaw was an official of a Lancashire Weavers' Association and Secretary of the International Textile Federation. He had himself been a weaver. He was entirely self-educated, and had taught himself French and German, which he spoke, I am told by those who are qualified to judge, with remarkable fluency. His office in the Government—that of Minister of Labour—was not one which anybody would take except under a sense of duty. The Minister of Labour has very limited powers, and he has to bear the odium of a great deal of popular criticism on matters for which he is not directly responsible.

There was one misfit among the minor appointments, and that was the case of Mr. Frank Hodges. Mr. Hodges' interests were in industrial questions, and he was quite out of place as a Civil Lord of the Admiralty. His great ability was wasted in such an appointment.

The Labour Party was very weak in the House of Lords, and it was necessary that it should have representatives of the Government in that Chamber. Immediately after the formation of the Government, peerages were conferred upon Sir Sidney Olivier, General Thomson, and Mr. Sydney Arnold (who had been appointed Under-Secretary for the Colonies). Neither Olivier nor Thomson

nor Arnold were members of the House of Commons. Their elevation to the peerage had been contemplated when they were appointed to office. The inclusion of Olivier in the Government as Secretary of State for India had caused some surprise. He was a member of the Fabian Society, and one of the original Fabian Essayists. He was a permanent Civil Servant attached to the Colonial Office, and for some years before the formation of the Labour Government he had been Governor of Jamaica, where he had been regarded as an outstanding success. He had not, however, since the early days of the Fabian Society taken any part in Socialist activities. He had, undoubtedly, considerable administrative gifts, but as a speaker he was hampered by a voice and articulation which made him almost unintelligible. His old Fabian colleague, Mr. Sidney Webb, had come into the Labour Government as President of the Board of Trade. Mr. Webb, too, had great administrative ability and had gained a wide experience as a member of the London County Council, where for many years he had been chairman of some of its important committees.

Mr. Clynes had been appointed Lord Privy Seal, an office to which no departmental duties are attached. This leaves the holder of the office free to assist the Cabinet by taking up any special work which may arise. As Mr. MacDonald held the two offices of Prime Minister and Foreign Secretary, it was obvious that he would not have time to put in a full attendance on the Bench during the sittings of the House of Commons. So Mr. Clynes had assigned to him the duty of Deputy Leader of the House of Commons. Mr. Austen Chamberlain in the later days of the Coalition Government had held this office, and had also acted as Deputy Leader of the House. The usual salary attached to the office of Lord Privy Seal is £2000 a year, but in view of the added duties of leadership

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Mr. Chamberlain had received £5000 a year, and this precedent was followed in the case of Mr. Clynes. Mr. MacDonald held the two offices of Prime Minister and Foreign Secretary, but received the salary of one office only, so there was a saving of £2000 a year in the total of ministerial salaries.

CHAPTER XLV

First Experiences of Office

AFTER the members of the Cabinet had been sworn in on the morning of Wednesday, the 23rd January 1924, the first meeting of the Cabinet was held that day at 4 o'clock in the afternoon. After the ceremony at Buckingham Palace the Ministers went to their respective Departments to make the acquaintance of their permanent officials. I had often been in the Chancellor's room at the Treasury, and there I went to meet the officials. The only official with whom I was personally acquainted was Sir Warren Fisher, the Secretary to the Treasury, with whom I had been on friendly terms for some years. I had already arranged to take over as my two Private Secretaries the officials who had served the previous Chancellor. My principal Private Secretary, Mr. P. J. Grigg (now Sir James Grigg) is now the Financial Minister of the Indian Government, a high position he has reached by exceptional merit. My second Secretary, Mr. Donald Fergusson, was a man of sound judgment whose advice was always worth consideration. He is now the Chancellor's principal Private Secretary.

On the evening of the day I assumed office, a secretary came into my room to say that the Governor of the Bank would like to present his compliments to the new political head of the Treasury.

I had not previously met Mr. Norman, but I had a vague idea of what a Governor of the Bank of England ought to look like. I had seen caricatures in the Socialist

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Press of the typical financier—the hard-faced, close-fisted, high-nosed individual whose active brain had worn off every trace of hair from the summit of his head. I wondered if the Governor of the Bank would look like that!

There came into the room a man so different! He might have stepped out of the frame of a portrait of a handsome courtier of the Middle Ages.

It took but a short acquaintance with Mr. Norman to know that his external appearance was the bodily expression of one of the kindest natures and most sympathetic hearts it has been my privilege to know. I do not remember clearly what we talked about at that first interview. But the impression his character made upon me still vividly remains.

A Chancellor of the Exchequer sees much of the "Governor", or perhaps it would be more correct to say that the Governor sees much of the Chancellor. It is well known that the relations between the Treasury and the Bank are close and intimate. They are probably much more intimate today than in the past, for great political problems and financial problems are now so closely interwoven.

It was said of a great statesman in the Victorian Age that he had the "international mind". How truly that may be said of the present Governor of the Bank of England! To him, more than to any statesman of Europe, is the credit due for the partial restoration of the economic conditions of Europe from the utter collapse in the years following the War.

I never hear uninformed remarks about the callousness of international finance but I think of the injustice done through ignorance to the high and unselfish motives of the Governor of the Bank. I think of the prolonged and herculean efforts he has exerted to bring international

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finance to aid the ruined countries of the Continent to re-establish their economic life.

Whether Mr. Norman's policy and actions have been right or wrong, whether he has made mistakes or not, one thing is indisputable—no man with great responsibilities ever tried more faithfully to discharge them with the single aim of promoting national and international well-being.

Mr. Norman has in abundant measure the quality of inspiring confidence. He is something more than a colleague to those with whom he is associated. He is a friend.

I know nothing at all about his politics. I do not know if he has any. A man's real politics arise from his temperament and feeling. And the Governor's nature is essentially democratic. I should say that he hates snobbery and class distinctions.

It is related of him that when he returned from the South African War, where he had won the D.S.O., he was met by his own people at the railway station with a brass band and other marks of honour. A carriage from which the horses had been taken was waiting to convey him to his home. The men in the shafts, when they happened to look round, saw the hero of the occasion helping to push the empty carriage from behind! An incident, whether true or not, quite characteristic of the man.

This is not the place to deal much further with Mr. Norman's work and policy, nor with the criticism of that policy, but I want to say, after four years of intimate and almost daily association with him, that I am sure his work as Governor of the Bank of England, especially in developing the principles of central banking and international financial co-operation, deserve the recognition which posterity will accord to him.

When I took office the Controller of Finance at the Treasury was Sir Otto Niemeyer, who soon after left the Treasury to take up an important and lucrative post with the Bank of England. Sir Otto Niemeyer was one of the ablest Civil Servants I have met in the course of my official experience. Shortly after my appointment I was dining with Mr. Asquith, and he asked me what I thought of Niemeyer. Mr. Asquith said that he had come in contact with him in the course of an Arbitration between the British and Canadian Governments on some question of the readjustment of financial liability between the two Governments. Mr. Asquith was the Chairman of this Arbitration. "When I opened the proceedings," said Mr. Asquith, "there was a formidable gathering of counsel representing the Canadian Government. I saw nobody who seemed to be representing the British Government. I enquired if the British Government was represented, and by whom? A boyish-looking person rose from the back of the room and said that he represented the British Treasury." This was Niemeyer. Mr. Asquith asked him if it would not be well if he had the assistance of counsel. Niemeyer modestly replied that he thought he could manage without. In relating this incident to me Mr. Asquith said: "It is a long time since I was at the Bar and my memory may be dim, but I cannot remember in the whole course of my career at the Bar a case which was conducted with such ability and convincing power as Niemeyer's conduct of this case. When he had finished stating the case for the British Treasury there were not two sides in the matter, but only one, and I had no hesitation in giving the Award to the British Treasury."

It was on that occasion that Mr. Asquith told me that he considered the post of Chancellor of the Exchequer the easiest job in the Government. That might have

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been the case when Mr. Asquith was Chancellor in the days before the War, when the Chancellor had little to do except to supervise the Estimates and to prepare his Budget. But it is certainly not the case today. The financial problems left by the War, and the enormous growth of the activities of every Government Department, have made the work of the Chancellor of the Exchequer the most arduous in the Government. It was in the course of this conversation that Mr. Asquith warned me not to divulge the proposals of my Budget to my Cabinet colleagues until the morning of the day when the Budget was to be presented to the House of Commons. "If you do", he said, "it will all be in the newspapers in a few hours."

The Treasury buildings in Whitehall are the shabbiest of all the Government offices. In fact, their disreputable condition is a disgrace to the State. The offices of the Spending Departments, like the War Office and the Admiralty, are palatial by comparison. The room of the Chancellor of the Exchequer, which is reached through stone-flagged passages, is all right when you get there. It is a large room overlooking the Horse Guards Parade, and was formerly the room where the Council of State met. The gilded throne on which the Sovereign sat when he presided over the Council is still there on an elevated dais. The large table which occupies the centre of the room is said to be the table round which the members of the East India Company used to sit. There is a full set of William and Mary chairs, which I understand are very valuable. In the centre of this table there now rests the battered dispatch case in which Mr. Gladstone used to carry his Budget Speech to the House of Commons. This box has in the corner the letters "C. G.", and nobody appears to know what they mean.

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I have heard it suggested that the letters mean " Chancellor Gladstone ".

After I had made the acquaintance of my principal officials I went downstairs to the Cabinet Room at No. 10 for the first meeting of the Labour Cabinet. No. 10 Downing Street, including the Cabinet Room, is a part of the Treasury buildings, and provides less accommodation for the Prime Minister's staff and work than even the Exchequer. I am sure there cannot be elsewhere in the world a Council of State Room so inadequate as the Cabinet Room at Downing Street. There are two or three rooms adjacent to the Cabinet Room for the use of the Prime Minister's Secretaries and staff. The Cabinet Room is occupied by an oblong table which fills the whole floor space, leaving just sufficient room for the chairs the Ministers occupy. There is scarcely room to pass between these chairs and the wall, and it is difficult for Ministers to see or hear any of their colleagues but those in front of them and in their immediate neighbourhood.

There has been a revolution in Cabinet procedure from the days before the War. We have been told that in those days the Cabinet met without any agenda of business; it had no secretary; and no notes or memoranda were prepared as a record of the proceedings. It is said that Mr. Gladstone, when Prime Minister, always insisted that any pencilled notes which might have been taken by members of the Cabinet during the proceedings should be destroyed before the meeting was closed. If any record of the decisions of the Cabinet was kept in those days it must have been confined to the Prime Minister's letters to the Sovereign. In the course of a discussion on the question of Cabinet secrecy in the House of Lords on the 21st December 1932, a letter which was written

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in 1882 by Lord Hartington's Private Secretary to the Private Secretary of the then Prime Minister was read. The letter was in these terms:

"MY DEAR EDDY,

"Harcourt and Chamberlain have both been here this morning and *at* my chief about yesterday's Cabinet proceedings. They cannot agree about what occurred. There must have been some decision, as Bright's resignation shows. My chief has told me to ask you what the devil *was* decided, for he'll be damned if he knows. Will you ask Mr. G. [that is, Mr. Gladstone] in more conventional and less pungent tones?

"Yours for ever "

.....

I do not know how the Cabinet was able to conduct its business under the conditions which prevailed before the War. Everybody who has had experience of committee meetings where a large amount of business is considered must know how difficult it is to remember precisely what happened, and members of the committee in the absence of a record of the proceedings carry away with them various impressions. By the time the next meeting is held there are probably as many impressions of what was agreed to as there were members of the committee present.

There is no need for me to explain the system of Cabinet Records which is now in operation. It has been done by others quite as competent as I am. The Secretariat of the Cabinet is now a large office with a considerable staff. The old tradition of absolute secrecy on what takes place in the Cabinet has to some extent been relaxed in these latter days, and I do not see how this could very well be prevented in view of the fact that questions are being constantly asked in the House of

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Commons on Cabinet decisions to which the Prime Minister is expected to give a reply.

Decisions of the Cabinet which have an operative effect must of necessity eventually be made public, but what it is important to preserve is the secrecy of the discussions in the Cabinet and of the various views which are expressed by Ministers. The Cabinet Minutes, as others have pointed out, are confined to a record of the decisions, and are not a report of the discussions. There are occasions when a Minister dissents very strongly from the majority, and asks that his dissent may be recorded. The Labour Government introduced an innovation in the reports given to the Press of Cabinet Meetings, which hitherto had been confined to the mere statement that a meeting of the Cabinet had been held, with a list of the Ministers present. But this brief report was amplified by a decision of the Labour Government to stating the business which had been considered. This practice has since been abandoned, and the former practice of circulating to the Press a mere notification that a Cabinet Meeting had been held, with the names of the Ministers present, has been revived.

Parliament at the time when the Labour Government took office was not in session, and did not meet until the 12th of February. In the meantime the Cabinet held frequent meetings to prepare its legislative programme for the session.

The Ministers got to work in their respective Departments and, full of enthusiasm, began to draft schemes of reform which fell within their province. One of the first collective acts of the Government was the *de jure* recognition of the Russian Government. The Note intimating to the Soviet Government that the British Government was prepared to recognise them was dispatched on the

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1st February and published in the British Press the following day. This Note laid down the conditions of recognition. The two principal ones were—that it was of the utmost importance to come to an understanding between the two Governments on the problem of the settlement of existing claims by the Government and nationals of one party against the other, and the restoration of Russian credit; and the other had relation to propaganda. If genuine friendly relations were to be completely established all suspicion must be removed that their Government was carrying on propaganda against our interests and directed at overthrowing our institutions. The British Government, therefore, suggested that the Russian Government should send over to London at the earliest possible date representatives armed with full powers to discuss these matters, and to draw up the preliminary basis of a complete treaty to settle all questions outstanding between the two countries.

The British Government did not consider it to be necessary to wait the meeting of Parliament to confirm this act of *de jure* recognition, as both the Labour and Liberal Parties at the General Election had expressed their approval of such a course. When Parliament met, Mr. Asquith, on behalf of the Liberal Party, expressed much satisfaction at the announcement of the Government that they were *de jure* recognising the Soviet Government, and Mr. Baldwin, who, of course, as Leader of the Opposition, had to say something critical about the action of the Government in this matter, was very lukewarm in his objection.

CHAPTER XLVI

Preparing the Estimates

I HAD gone to the Exchequer at a rather unfortunate time of the year. The Estimates for the various Services for the coming financial year (which began on 1st April) had been prepared and were practically ready for submission to the House of Commons when the late Government was dismissed from office. My first task was to overhaul these Estimates and to see what reduction could be made. In this connection it is the Chancellor's hardest job to bring down the Estimates of the Fighting Services, and particularly of the Admiralty. The Admiralty regards itself as being in a privileged position and as having the right to insist that the Government shall provide all the money that is needed to meet what they consider to be necessary to keep the Navy in a state of efficiency. The late Government had agreed to a new construction programme which involved the building of eight new cruisers. It would have been a strange beginning for a Labour Government, pledged to a reduction of the expenditure on armaments, to put forward such a proposal to the House of Commons. For weeks the struggle between myself and the First Lord, who was the mouth-piece of the Sea Lords, went on. Meanwhile the officials at the Admiralty were using various means in influential quarters to get support for their programme. Well-informed statements appeared in the Tory newspapers, which were clearly a part of this propaganda. The leakage of information from the Admiralty was a common

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occurrence, and it caused embarrassment to every Government which was making an effort to reduce the Navy Estimates.

As an instance of the tactics to which the Admiralty resorted, I may mention that I received letters from Mr. Amery (who was First Lord of the Admiralty in the previous Government) and from Mr. Neville Chamberlain (who had been Chancellor of the Exchequer) telling me that they had been informed of our intention to reduce the proposed Cruiser Programme, and pointing out that this programme had been definitely settled before they left office. My negotiations with the Admiralty on this Cruiser Programme taught me one lesson. It is useless for a Chancellor to argue with the Sea Lords on the technicalities of the Naval strength. The only effective policy that he can pursue is to say to the Admiralty, "I can only afford to give you so much money. Take this, and use it in the best way you think. If in your opinion additional expenditure is necessary for a building programme then you must make equivalent economies in other directions."

The outcome of my tussle with the Admiralty was that we induced them reluctantly to reduce the Cruiser Programme from eight ships to five, and this modified programme brought us into conflict with the Liberal Party when the Estimates were presented to the House of Commons. I was determined that there should be a reduction in the total of the Navy Estimates, and I eventually succeeded in getting a reduction of £2,200,000 on the Estimates of the previous year after providing £5,000,000 for the new cruisers.

I had not much trouble with Mr. Walsh in regard to the Army Estimates. The War Office had made a really serious effort to reduce their expenditure, and the total net estimate for the coming year shewed a reduction of the considerable sum of £7,200,000 compared with the

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previous year. A part of this reduction of £7,200,000 was offset by an increase of £2,400,000 on the Air Estimates. I found Lord Thomson, who was the Air Minister, very reasonable and very anxious to help me in keeping down the expenditure of his Department to the lowest possible figure consistent with efficiency and with the needs of a new and naturally expanding Service. The Civil Service Estimates showed a reduction of £37,000,000. This gave me a total saving of £42,000,000 on the Estimates as compared with the previous year, a saving which promised to be a very substantial help in the framing of my Budget.

Soon after I took office I began to receive the usual requests from various bodies who desired to put before me their appeals for a reduction of taxation. These deputations from representative bodies are received by the Chancellor as a matter of courtesy. He is obliged to decline most of such requests because the number is so large that, if he complied with them, all his time for two months before the introduction of the Budget would be fully occupied in hearing them.

Deputations to the Chancellor with the object of trying to induce him to give favourable consideration to their special grievances are largely a waste of time. I entirely agree with the views expressed by Disraeli about deputations. He declared: "Of all things in the world I hate a deputation. I do not care how much I labour in the Cabinet or in the House. That is real work and the machine is advanced. But receiving a deputation is like sham marching, an immense dust and no progress. To listen to their 'views'—as though I did not know what their views are before they state them."

In spite of my "views" about deputations, I always received them with courtesy, listened to their speeches with profound attention, and assured them that their

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representations would receive my sympathetic consideration. Indeed, I think that upon one occasion my sympathetic reply raised undue expectations. I had a deputation from the Scottish Distillers, who urged a reduction of what was, admittedly, a very heavy duty on spirits. As the deputation passed from the room my Secretary heard one member of the deputation say to another: "I'm sure he is going to do something for us. I would not be at all surprised if he took off the whole duty." This individual must have been painfully disappointed when the Budget was produced.

While I am on this subject of deputations which press for a reduction of taxes in which they are interested, I may mention another class of people who do not urge a reduction of taxation, but put forward proposals for new, and what they believe to be remunerative, taxes. For weeks before the Budget the Chancellor is inundated with such advice. But I only remember one case where a suggestion was made which had not been put forward by thousands of correspondents. There is little originality in the proposals submitted by these amateur Chancellors. Their suggestions seldom go beyond a tax on cats, an increased taxation on dogs, and a tax on pedal bicycles and advertisements. I can call to mind only one original suggestion that was put before me—that every person who consumes intoxicating liquor should take out an annual licence, with his photograph upon it, costing five shillings. This licence was to be produced before he could be supplied with liquor. There would certainly be money in such a tax, but I would like to see the Chancellor of the Exchequer who had the courage to propose it!

CHAPTER XLVII

Difficulties of the New Government

THE Labour Government met Parliament for the first time on the 12th February 1924. It was something of an ordeal for Ministers, most of whom had had no previous experience in office, to meet the House of Commons, and to face a strong Tory Opposition, and a critical if sympathetic Liberal Party. At the opening of the sitting we had to face the usual barrage of questions. Answering questions is a severe test of a Minister's knowledge of the work of his Department, and of his alertness in dealing with supplementary questions. The practice of devoting the first hour of each sitting to questions to Ministers is one which, I understand, does not obtain in any other Parliament in the world. It is, I think, an invaluable institution. It has a restraining influence upon Ministers, who know that their actions are always open to possible criticism by questions in the House. It is well known that the replies to printed questions are prepared for the Minister by the officials of his Department, but a wise Minister never accepts the answers which are put before him without careful examination, and without preparing himself for any possible supplementary questions which may arise. A Minister with a sharp intellect and quickness of repartee, who has made himself fully acquainted with the subject-matter of the question, need never fear "Question Time". Members very soon recognise those Ministers they can badger and those who are more than a match for the questioner. It is very seldom indeed that

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a questioner is able to score off a Minister who knows his subject. There is, of course, a refuge for a Minister who is faced with an inconvenient question in the formula "I must have notice of that question". But the too frequent use of that formula gives the House the impression that a Minister is not too well informed upon the work of his Department. I always enjoyed Question Time as an exercise in intellectual alertness. Ministers got through their first experience of Question Time without any mishap.

After Questions had been disposed of at this sitting, the Prime Minister made a long statement on the legislative programme of the new Government. His speech was conciliatory, and he recognised the unprecedented circumstances in which the House was placed, since no Party had a majority. This situation necessitated some alteration in Parliamentary practice. Individual members would have to think less about Party and assume more personal responsibility. The Government which could not command the votes of a majority of the House could not expect to obtain a majority upon every proposal it submitted to Parliament. The Government would not resign as the result of a snap division on a petty issue. The Labour Government would not resign unless it was defeated upon some substantial issue of principle. He said: "I propose to introduce my business knowing that I am in a minority, accepting the responsibilities of a minority, and claiming the privileges that attach to those responsibilities. And if the House on matters non-essential, matters that do not strike at the root of the proposals that we make—and do not destroy fundamentally the general intentions of the Government in introducing legislation—if the House wish to vary our proposition, then the House must take the responsibility of this variation—then a division on such amendments

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and questions as those will not be regarded as a vote of no confidence."

The announcement was made that the Government intended to introduce Bills to improve the Old Age Pensions Act, and a Bill to amend the Factories and Workshops Acts. The most important measure of the session would be a Housing Bill aimed at producing decent houses at rents that could be borne by the average income of the working classes. The question of unemployment, the Prime Minister announced, had already been under the serious consideration of the Government. The Government aimed in this matter at doing two things--providing work, and amending the scale of benefits for the unemployed where work could not be provided. The Government approached this question somewhat with the idea of getting the unemployed back into their own work, and therefore, in so far as the Government could influence trade, that would be the first point of attack.

It is interesting to note, in view of the discussions which have since been insistently carried on about the problem of unemployment, that Mr. MacDonald in this speech declared that "the Government were not going to diminish industrial capital in order to provide relief." "I want to make it perfectly clear", he said, "that the Government have no intention of drawing off from the normal channels of trade large sums for extemporised measures which can only be palliatives. That is the old, sound Socialist doctrine, and the necessity of expenditure for subsidised schemes in direct relief of unemployment will be judged in relation to the greater necessity for maintaining undisturbed the ordinary financial facilities and the reserves of trade and industry."

It was not an ambitious programme, but it provided material for a full session's hard work. It disappointed

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those members of the Labour Party who had expected that the Minority Labour Government would put forward bold Socialist proposals.

The Labour Government, as I have pointed out, depended for its continuance in office upon the good-will and the support of the Liberal members. There was no doubt that Mr. Asquith and the majority of the Liberal Party were prepared to keep the Government in office so long as they pursued a programme of social reform which was common to the Labour and Liberal parties. But very early in the session it became quite clear that there were a number of Liberals who were bent upon causing embarrassment to the Government, and, if possible, defeating them on some substantial issue.

Within ten days of the opening of the session, the Liberal members brought forward two hostile motions which, had they been carried, would have brought the Labour Government to an untimely end. On the 21st of February, in reply to a question from the Tory benches, the representative of the Admiralty announced that the Government had decided, in view of the serious unemployment, to proceed with the laying down of five cruisers. Whereupon Mr. Pringle, a Liberal member who had never hidden his bitter hostility to the Labour Party, moved the adjournment of the House to discuss the question. Having obtained leave to do so, a debate took place, and upon a division the Government were saved by the votes of the Conservative members. The division list showed a division in the Liberal Party. Thirty Liberals had voted with the Government and seventy-three against. The Liberals who had voted with the Government did so, not because they were in favour of the building of new cruisers, but because they were unwilling to embarrass them at this early stage of the Labour Government's existence.

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A few days later, on the 26th February, a Liberal member brought forward a vote of censure upon the Government in respect of the action of Mr. Wheatley, Minister of Health, in cancelling an Order which had been made by Sir Alfred Mond restricting the Poplar Board of Guardians in the granting of Poor Law relief. This motion was brought forward with the approval of Mr. Asquith, who a few days before had declared in the House "in the plainest and most unequivocal terms that unless the Government would reconsider this action the Liberal Party would vote against them." From the point of view of the continuance of the Government in office this was a much more serious matter than the Liberal action on the cruiser question. Then the Government could rely on the Tory Party. In this case, if the motion were carried to a division, and if Mr. Asquith's declaration of unequivocal opposition to the Government on the matter were carried out, then the defeat of the Government was certain.

This debate was looked forward to with much excitement for it seemed as though nothing could save the Government if the Liberals carried the motion to a division. As matters turned out, our fears were groundless. Mr. Wheatley made such effective and convincing defence of his action that when he sat down the Liberal case had been completely destroyed. Mr. Asquith rose to extricate his Party from a humiliating position. He stated that if he could be sure upon one or two points the Liberals would not press their motion to a division. There was no difficulty in the Prime Minister conceding these two points, which were of minor importance, and the Liberals thereupon announced that, as the Government had given such satisfactory assurances, their motion would not be pressed. Mr Wheatley's speech was a veritable triumph and raised his prestige in the House of Commons im-

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mensely. Mr. Asquith told me afterwards that in all his Parliamentary experience he had never heard a Minister make a more convincing defence of his action.

The first ten days of the Parliamentary experience of Labour Government showed that we had not fallen into a bed of roses. It was evident that our existence was very precarious, and that we should never know from day to day how long the agony of uncertainty would continue. These two hostile motions by the Liberals at the beginning of the session had embittered relations between the Labour and the Liberal members. The Labour members in their speeches in the country denounced the Liberals with all the old vehemence. The Liberals were not behind the Labour members in abuse and recrimination. A situation had been already created which made cordial co-operation very difficult.

Looking back over the nine months' life of the Labour Government, I am forced to the conclusion that both Parties pursued a policy which was more befitting a lot of irresponsible children than of responsible statesmen. The blame for this cannot be assigned wholly to one Party. The Labour Party had never really accepted the limitations of its Minority position, and on the other hand the Liberals were somewhat arrogant in saying, as Mr. Asquith did in a very unfortunate phrase: "the Labour Government must eat out of the Liberal hand". I wonder now that the Labour Government did not come to grief at an earlier stage of the session. It never showed that consideration to the Liberals to which they were entitled. The Liberal criticism that the Labour Government refused to adopt the co-operation which was necessary for legislative progress was to a great extent justified. There was little or no preliminary consultation between the Government and the Liberal leaders on

legislation which it was proposed to introduce. I am not suggesting that there should have been anything of the nature of a Coalition. Neither of the two Parties would have considered that. I am not shirking my personal responsibility for this lack of more cordial co-operation between the two Parties. There were times when the attitude of certain prominent Liberals, obviously inspired by a desire to embarrass and humiliate the Government, made me resentful. But I confess that, indeed, I gave public expression to the feeling at the time that the majority of the Liberal members were genuinely anxious to help us to secure measures of reform.

By the time we had been in office two months the relations between the groups had become so strained that in the Liberal Press and official publications and in the speeches of Liberal leaders the view was openly expressed that they could see no useful purpose to be served by keeping the Government in office. At Easter, two months after the Labour Government had first met the House of Commons, Mr. Lloyd George made a speech in his constituency which gave very emphatic expression to this view. He declared that the Government had already completely dissipated their stock of goodwill, and that the only thing which was keeping them in was that no one else was particularly anxious to take office under present conditions.

In the succeeding weeks we led a precarious existence. On several occasions we were defeated in the Division Lobby on matters which were not of much importance, but on other occasions we narrowly escaped defeat on crucial issues through the Liberal vote going against us. In the meantime the Government went on with its administrative work and its legislative programme under these discouraging conditions, and succeeded in passing into law a number of useful if non-spectacular measures.

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We were, unfortunately, handicapped in the first months of office by a number of serious industrial disputes. A strike of the railwaymen took place during the first week we were in office. But through the efforts of the General Council of the Trade Union Congress it was brought to an end. In February a strike of dockers took place which lasted for eight days; and later there was a serious threat of a strike of electricians which would have endangered the lighting services in London. These disputes gave the Government a good deal of trouble, and there was a wide public impression that they had been entered upon in the expectation that the Labour Government would give the strikers their support. There was, of course, no justification for such an impression. The Government, in every case, adopted an attitude of strict impartiality. It made great efforts within its legal powers to bring the disputes to an end by negotiation.

In the Dock Strike, the Minister of Labour (Mr. Tom Shaw), who as a Trade Union leader had had considerable experience of industrial disputes, took the matter in hand at once, and appointed a Committee of Enquiry under the Industrial Courts Act. The purpose of this enquiry was to ascertain all the facts in order that the public might be fully informed. The two parties to this dispute were unwilling to maintain direct relations with one another after the strike had begun, but agreed that the Minister of Labour should keep in touch with both sides, and if the Minister thought a favourable opportunity offered for discussion with a view to a settlement they would both accept the invitation to talk things over.

This Docks dispute threatened the distribution of essential foods and fuel, and it was essential for the Government to take steps to see that these necessities were supplied. The attention of the Government was drawn to the fact that prices of food commodities were

being raised in various parts of the country in consequence of the dispute, and the Government issued the following notice to the Press:

“The Cabinet has had information from various parts of the country that meat and other prices have been raised from 33 to 50 per cent. There is no reason for this increase except the power of profiteers to extract from the public unjust prices. The Cabinet hopes that this notice will have the effect of stopping this increase, but in the meantime it has asked the law officers to consider the powers of the Government in this matter, and to draft such emergency measures as may be necessary to prevent the exploitation of the consumers owing to the Strike.”

This notice had a deterrent effect, and the prompt action of the Government was much appreciated by the country. During the acute stages of this Dock Strike the Cabinet met every day, sometimes twice a day, to review the situation and to make preparations for dealing with any serious developments should they arise. The Prime Minister kept the House of Commons informed as to the steps the Government were taking to secure the transport of necessary food supplies, and stated that the nucleus of an organisation for that purpose had already been set up. He properly stressed the importance of nothing being said in the House of Commons which might tend to aggravate the serious situation. The negotiations between the two parties which had been initiated by the action of the Minister of Labour had a happy result, and terms were arranged which brought the strike to an end and removed the necessity for the Government to put into operation any of the machinery it had prepared to secure the maintenance of the essential services.

The settlement of this dispute, unfortunately, did not end the troubles of the Government in the matter of trade disputes. There seemed to be an epidemic of unrest and strikes, and threats to strike were of almost daily occur-

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rence. Two or three weeks after the Dock Strike had been settled a strike in the transport services of London broke out which caused great public inconvenience. There was serious talk of the workers in one of the principal electric stations coming out on strike in sympathy with the transport workers. There was trouble in the coalfields which seemed at one time likely to lead to a stoppage, but fortunately that disastrous course was averted. There was a large number of sectional and unauthorised strikes, the cause of which could be traced to Communist activity within the Trade Unions.

It will be understood that all this trouble caused the Government great anxiety, and diverted its attention in a large measure from the work of preparing its legislative measures, in which it should have been wholly occupied. It will be realised that the situation of the Government was not one of ease with dignity. The strike fever is infectious, and this outbreak, apart from Communist activity, was not caused by a desire to embarrass the Government, but was rather due to the release of a feeling of genuine discontent with the wages reductions which had been imposed in most industries over the preceding four years.

The general public have no idea of the amount of work which falls on members of the Government which never comes to their notice. A great mass of documents, memoranda and dispatches almost daily are circulated amongst Cabinet Ministers, and it is necessary that these should be carefully studied if the Ministers are to keep themselves fully informed upon questions on which decisions have to be taken.

The departmental duties of a Minister vary very much according to the nature of the office. I think that the Minister of Labour and the Minister of Health have particularly hard departmental work. The functions of

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both offices bring them more closely in touch with the public, with the House of Commons, and with the country than the work of most other Departments. The Minister of Labour in particular has a very thankless office. He is exposed to constant criticism by members of Parliament, and however sympathetic he may be he can never satisfy all the demands which are made upon him. In peace time the departmental work of a Minister in charge of one of the Fighting Services is not heavy, and these Ministers are available when their services are required to assist on Committees dealing with other matters.

A week after the Labour Government had met the House of Commons, I was called upon to make my first speech as a Minister. A Labour member had secured first place in the ballot for Private Members' Motions, and he had selected the subject of Mothers' Pensions. This was a subject which had come into prominence in recent years, and all political parties had committed themselves to the principle. Mr. Dukes, the Labour member who put forward this motion, introduced it in an extremely able and reasonable speech. In my reply I expressed on behalf of the Government much sympathy with the motion, and mentioned that, although we had only been in office a month, we had already had this matter under consideration. We had called in to help us in framing a scheme some of the chief experts in their various departments, and they were already investigating the subject.

I expressed the belief that the House of Commons would sympathise with my position. I doubted, however, if there were ever a Chancellor of the Exchequer in a position more unfortunate in one respect than that in which I found myself. I was expected to do all kinds of

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impossible things. The miracle of the loaves and fishes was a comparatively trivial thing compared with what I was expected to do. The Government was already committed to a large legislative programme. It had already submitted to Parliament social reforms which would involve a very large expenditure. We were pledged in this session to amend the Old Age Pensions Act, which would cost a considerable sum of money. The Minister of Labour and the Minister of Health were certain that I was going to lend a sympathetic ear to their demands, and provide the financial help to carry out the proposals they were making. We were committed to a Housing Bill and a not inexpensive Housing programme. I had not yet had sufficient time to overhaul the national finances and get them into a sound condition. When I found that I could provide the money I promised that Widows' Pensions would be one of the first measures to which I should apply the resources which would then become available.

This motion was carried unanimously. I may here anticipate events by mentioning that the following year our successors brought forward a contributory scheme for Widows' Pensions, which was based upon the Report of the Enquiry to which I have referred.

CHAPTER XLVIII

The First Labour Budget

THE preparation of the Budget occupied what time I could spare from other activities during the month of March. Fortunately for me, the national finances as disclosed by the out-turn of the year (which ended on the 31st March) proved to be very satisfactory. Mr. Baldwin's Budget of the previous year, when he estimated for a surplus of £1,884,000, resulted in a surplus of £48,329,000. It was very difficult in those days to estimate income and expenditure with approximate accuracy. This difficulty was owing to the dislocation of economic and social conditions caused by the War. Mr. Baldwin's surplus of £48,329,000 went automatically to the reduction of the National Debt, and did not help my Budget except in so far as it was an indication of the probable yield of taxes in the coming year.

The Estimates for the Supply Services for which I had to budget showed a reduction of £31,000,000 on the previous year's Budget Estimates. This saving of expenditure, of course, gave me a very good start; and as I felt justified in being rather optimistic as to the yield of the revenue, I was in a position to present a very favourable Budget to the House of Commons. With the help of my experts I went very carefully into the possibilities of the yield of the existing taxes, and of the probable income from non-tax revenue. This task of estimating the revenue for the coming year is a fascinating but difficult job. The least difficult part of the work is to

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estimate the probable yield of the indirect taxes on sugar, tea, tobacco and the liquor duties. The consumption of these commodities is very stable. The experience of previous years is available. If the consumption of any particular article is showing a steady increase, an increase in a yield is estimated. The growth of the population has to be taken into consideration, and, roughly assuming trade conditions are likely to remain normal, about $2\frac{1}{2}$ per cent. rise in consumption is expected.

There are other items of revenue which are much more difficult to estimate. A Chancellor can never tell with certainty how many millionaires will die next year. He does not know whether there will be boom or stagnation on the Stock Exchange and in Company Promoting which will affect the receipts from Stamp Duties. But the law of averages is a wonderful thing, and it helps the Chancellor to estimate the yield of the Death Duties and the Stamp Duties with reasonable accuracy.

The Income-Tax is the main source of revenue, and a grave miscalculation of the probable yield will seriously upset the Budget. Generations of experience of the working of the Income-Tax have placed valuable material at the disposal of the revenue authorities. During the whole year a careful examination of the balance-sheets of all public companies, from which the greater part of the Income-Tax is derived, is continuously made, and when the time comes for the Estimates there is accumulated information from which a fairly accurate idea of how the profits on which the tax will be based compare with previous years. When the estimates of the probable yield of all the existing taxes in the coming year have been completed, the Chancellor knows whether his revenue from them will meet the expenditure to which he is committed.

When the Estimates are presented to Parliament in

March the country knows what the expenditure on the Supply Services will be; but there is one large item of expenditure which is kept secret until the Budget is disclosed—that is, the cost of the Debt Services. This item includes the interest on the Funded Debt, which is not difficult to estimate. To estimate the cost of the Floating Debt is more difficult, because it depends upon the probable course of money rates during the coming year. Finally, the Chancellor has to decide what provision he will make for the redemption of the Debt. When all this work has been completed, when the full estimated expenditure is known, and when the estimates of revenue have been made, the Chancellor knows whether he has a surplus or a deficit. When I had the completed estimates before me I found that I should have a surplus to distribute of nearly £40,000,000.

I was, of course, a very happy man, and my next task was a most agreeable one. What should I do with this surplus? I could not devote all this surplus to a reduction of taxation, as I was committed to considerable expenditure on account of the Government's legislation for which no provision had been made in the Estimates.

In previous Budgets the Income-Tax had been reduced from 6s. to 4s. 6d. in the £1, and, although the rate was still very high, I felt that there were other classes of tax-payers whose turn for consideration had now come. In the previous two years the Income-Tax payers had had a total relief in the region of £85,000,000 a year. The main part of this remission had gone into the pockets of the wealthier portions of the community, and in my view these tax-payers had had their just share of previous reductions, and should expect no more relief this year. The Income-Tax payers would, of course, share with others in any remission of indirect taxation I might make, and there were two or three other items of taxation which

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I finally decided to repeal, which were taxes in the class which paid Income-Tax.

Budget secrets are generally well kept. This is highly creditable, for something like a score of officials must necessarily be taken into the Chancellor's confidence and made aware beforehand of the contents of the prospective Budget. Sometimes it is necessary for a Chancellor who is contemplating an alteration of some specific duty to take the leaders of that industry into consultation, and I know of no case where that confidence has ever been betrayed.

When the Chancellor has got his Budget into its final form it is not immediately presented to the Cabinet, nor has there been any preliminary conversation in the Cabinet—unless some proposal likely to be highly controversial is suggested. What happened in the case of my first Budget was that I did not submit it to the Cabinet until the morning of Budget day. I shall never forget the impression made upon my colleagues as one after another I outlined reductions of taxation, and they were evidently so deeply impressed that they decided to place on record their warm approval of the first Labour Budget.

I presented my first Budget on 29th April 1924. When I left Downing Street with the Budget in Mr. Gladstone's battered dispatch-box, there was the usual crowd of the public and of photographers, and all the way to the House of Commons cheering crowds lined the streets. It is always like this on Budget day, though on this occasion public interest and curiosity had been increased as this was the first time that a Labour Budget was to be presented to Parliament.

When I entered the House I faced a Chamber uncomfortably crowded in every part. Members were sitting in the gangways and filling the side galleries. I

suppose that I ought to have felt a considerable nervousness at the ordeal which was before me, but I am not an emotional person, and I have to confess that I was as unperturbed as on an ordinary occasion. There were in the Strangers' Gallery some of my boyhood mates who had come all the way from Yorkshire for this unique occasion. Hidden away in a corner of the Speaker's Gallery was my wife, suffering from a state of nervous tension from which I was happily free, and for which there was no need.

The text of a Budget Speech is always necessarily very carefully prepared. It is important that there should be no slip in any of the figures with which the Budget Statement abounds. A copy of the speech is held by the Financial Secretary, who sits beside the Chancellor ready to give him a nudge if he should make a slip in any of the figures. I can only remember one case where a Chancellor delivered his speech without the aid of voluminous notes. That was Mr. Bonar Law, who spoke for over an hour from two half-sheets of note-paper. I am sure if my dear friend Willie Graham had lived to present a Budget he would have spoken for a couple of hours without even the assistance of a sheet of note-paper.

As I unfolded my proposals for a reduction of taxes, the enthusiasm of the Labour members grew in intensity. I had, as I have already stated, nearly £40,000,000 of revenue in hand, and this was how I proposed to distribute the relief. Before I passed on to the tax reductions I announced a few minor concessions. I made concessions on motor vehicle licences, which cost approximately £500,000 a year. I made a concession in the allowance on Income-Tax to a widower or widow for a housekeeper. I was not in a position to make any considerable changes in the postal rates. I had been very anxious, if possible, to restore the penny post, but I was forced to the con-

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clusion that this was not at the time an economic proposition. The cost of such a concession would have wiped out the profits of the Post Office and required a subsidy from the general taxpayer. I did, however, by an arrangement with the Postmaster-General make a reduction in the telephone charges which would cost £1,000,000 in a full year.

Both the Labour and the Liberal Parties had long been pledged to the abolition of taxes on food when the financial position of the country would permit that to be done. I proposed to reduce the sugar duty, which then stood at 2¾d. per lb., by 1½d. per lb., a reduction of just over half. This was a very expensive concession, and absorbed nearly half my available resources. The tea duty then stood at 8d. per lb., a wholly indefensible rate of taxation. I reduced this by half, at an estimated cost of £5,000,000 a year. This reduction brought the tea duty below the pre-War rate. Similar reductions were also made on cocoa and coffee. I also reduced the duties on dried fruits, and abolished the duties on sweetened table waters. All these reductions I estimated would cost about £25,000,000 a year. Although these concessions were not a complete fulfilment of our desire for the abolition of duties on the breakfast-table, they went as far as it was possible in the financial circumstances.

I then turned to the Entertainments Duty. I believe I was the only member of the House of Commons who opposed this duty when it was first introduced. I had never liked it, but unfortunately I was not in a position to propose its repeal. I had to be content with some modification. I proposed to give relief on the cheapest seats, which are used by the less well-to-do members of the community, by abolishing the duty on the payments for admission up to and including 6d. and by reducing the duty on payments over that amount up to and including

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is. 3d. I may say that I had experienced more difficulty in dealing with this question of the Entertainments Duty than with any other matter I had had under consideration in connection with the Budget, owing to the fact that a great part of the duty is derived from the cheaper seats, and, therefore, the abolition of the duty on these seats involved a sacrifice of a very large amount of revenue. The reduction that I proposed meant sacrificing nearly one-half of the annual revenue from these duties. The relief given was estimated to amount to £4,000,000 in a full year.

As I have already stated, I was not in a position, if relief were to be given to the indirect tax-payers, to make any reduction of the Income-Tax. I had, however, the satisfaction of removing from our revenue system a tax which had long ago become an anachronism. I refer to a tax the existence of which, I suppose, has now been forgotten. It was the Inhabited House Duty. This duty had been with us with an intermission of sixteen years for nearly a century and a half. It was the historic successor of the old Chimney and Hearth Tax. It was, in effect, a double and unnecessary addition to the Income-Tax, and it was paid by the middle and upper classes. It was supposed to be a rough-and-ready device for estimating a person's capacity to pay. I repealed this duty altogether at a cost of £2,000,000 a year.

The most controversial part of my Budget was the proposal to remove what was known as "the McKenna Duties". These duties were imposed in 1915 on motor-cars and motor-cycles (other than commercial vehicles), musical instruments, clocks and watches, and cinema films. These duties had never been a permanent part of our fiscal system, but had been renewed from year to year. It was made perfectly clear when these duties were first introduced that they were intended purely as a temporary

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war-tax. Each year, when the duties were renewed, the reason put forward for their retention had been the need for revenue. This, however, was merely an excuse. It was the protective character of these duties which was the real reason why they had been kept.

The recent General Election had been fought upon the question of the imposition of duties upon imported manufactured articles, and the country had given a most decisive verdict against such duties. The Government, therefore, felt that they were bound to give effect to this popular decision. In order to avoid hardship to traders which might occur if the duties lapsed in two days without further notice, I proposed that the duties should be renewed until the 1st August next, when they must finally expire. I gave this extension of time to enable the trade to clear off their duty-paid stocks, and I thought that this concession was reasonable. The cost of the abolition of these duties was estimated at nearly £3,000,000 a year. As I anticipated, this proposal was the only controversial item in the Budget, and it roused violent opposition from the Conservative Party and the motor manufacturers.

During the War a special tax had been imposed upon the profits of Public Companies, known as the Corporations Profits Duty. It was never a popular tax, although fairly remunerative. It was unloved by its parents and reviled by its subsequent guardians. It was condemned by every Party, and it had been quite obviously waiting for its final doom. The abolition of this tax made a considerable inroad into the revenue. It was estimated that in a full year it would cost over £12,000,000. Taking all these reductions in taxation together, I estimated that they would give relief to the extent of £40,000,000 in a full year.

I was, therefore, left with an estimated surplus of £4,000,000, which I felt bound to keep in hand, more

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particularly as I had made no other provision for supplementary expenditure.

I would like to supplement this brief summary of the proposals of the first Labour Budget by quoting the final sentences of my speech. I said:

“I thank the Committee for the patience and interest with which they have listened to my speech. But I want very briefly to summarise the proposals contained in the Budget. The Budget imposes no new taxes. It makes no new additions to existing taxes. It proposes to abolish the Corporation Profits Tax; to abolish the Inhabited House Duty; to give concessions to the owners of motor vehicle licences; to extend the allowance for a housekeeper; to make certain Post Office concessions; to abolish the duties on imported manufactured articles; to reduce the entertainments duty by nearly one-half; to abolish the duty on sweetened table waters; to abolish the 50 per cent. additional duty on dried fruits; to reduce the tea duty by 4d. per lb.; to reduce the duties on cocoa, coffee and chicory by one-half; to reduce the sugar duty by 1½d. per lb.; and to leave over the funds necessary to improve Old Age Pensions.

“This is the first Budget of the first Labour Government. This is the best I have been able to do in the short time we have been in office. I think we can confidently appeal for the support of the majority of Members of this House. These proposals are the greatest step ever made towards the realisation of the cherished Radical ideal of a free breakfast-table. (Hon. Member: ‘Hear, hear!’). They will, I am sure—those cheers show—be heartily welcomed by Hon. Members below the Gangway, as well as by those of my own Party. They will give some benefit to every man, woman and child in the country. The Budget is vindictive against no class and against no interest. Though I have always held and declared that the State has the right to call upon the whole of the available resources of its citizens in case of national need, I have equally held and declared that the State has no right to tax anyone unless it can show that the taxation is likely to be used more beneficially and more economically. I have distributed the relief that I have been able to afford in such a way as to confer the greatest benefit upon the greatest number. I have done it in a way which, I believe, by increasing

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the purchasing power of the people, will stimulate trade and industry; and I have kept in mind always the vital necessity of maintaining unimpaired the national credit on which the very existence of the country depends. I am glad to have been able to propose this substantial relief of the burden of taxation which, for the last ten years, has been borne with such commendable fortitude by every class of the community."

When I sat down there was a great demonstration by the Labour and the Liberal members. The usual brief complimentary speeches followed. The Conservative ex-Chancellor—Sir Robert Horne—spoke on behalf of the Conservatives. He said: "If I might venture my own personal word of commendation, I do not think, certainly during the time I have been in the House, we have ever heard a more clear or perspicuous statement with regard to our national finance." Mr. Asquith said: "I desire, if I may, to express on behalf of myself and my colleagues our extreme satisfaction, not only with the admirable lucidity and cogency which I have rarely heard surpassed in the introduction of this most complicated and difficult of all discussions, but also on the fact—so far as I can form a judgment—that the Budget proceeds on sound financial lines." According to the usual practice, the general debate upon the Budget Statement was postponed until next day.

The reception of the Budget by the Press of the country was everything that I could have desired. It relieved the feelings of the rich, who had feared that there might be drastic impositions upon their class. The Liberal Press and the Liberal speakers claimed that it was based upon sound Liberal principles, and in it I followed in the footsteps of Gladstone. The Labour Party were in high spirits and some of them were talking about having an immediate General Election, when they expected the Labour Party would sweep the country and get a majority in the House of Commons. The Conservative news-

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papers found nothing in the Budget they could criticise except the proposal to abolish the McKenna Duties. Indeed, the Tory Press and the Tory speakers said, apart from this proposal, it was a Budget that might well have been introduced by a Tory Chancellor of the Exchequer!

If all these comments were true, I had achieved a remarkable, indeed a unique, success in presenting a Budget which had pleased everybody! The Budget certainly had the effect of improving the relations between the Liberal and the Labour Parties, and gave us the promise of a more certain life, at least until the Budget had been passed into law. I had, of course, the usual shoal of letters and telegrams of congratulation, none of which pleased me more than a most cordial letter from Mr. Walter Long, then Lord Long, with whom I had had so many encounters when he was in the House of Commons.

The Budget, being the first produced by a Socialist Government, aroused a good deal of interest in America and other foreign countries, the American newspapers giving almost as much prominence to it as was given in the English newspapers.

I would like to quote the opinion of Mr. T. P. O'Connor upon the Budget, because he had an experience of Budget speeches extending over half a century. He wrote in one of the London papers:

"I listened to the speech of Mr. Snowden the other night. I say nothing here about his proposals—this is not the place for such a discussion—I limit myself to a judgment upon it as a Parliamentary performance. I unhesitatingly say that it was the best Budget speech since Gladstone. It had light and shade most delicately contrived, with none of the forced humour of a Hicks-Beach or a Ritchie; it was so lucid that a child could follow the figures; it was serene and unprovocative in temper; and, above all, it was modestly done. I think everybody in the House was delighted with him, and that from every quarter he had compliments which he well deserved."

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It is not a difficult thing to deliver a carefully prepared Budget Speech. The test of the Chancellor comes in replying impromptu to questions in the general debate. For two days after my statement a general discussion on my proposals took place, and at the end of this time I was called upon to make a final reply to the criticisms which had been put forward. These criticisms were very mild, with the exception of the expression of the Tory exasperation at the repeal of the McKenna Duties. The only criticism of the Budget as a whole was that by Sir Laming Worthington-Evans from the Tory benches, and by Mr. Masterman, a very warm supporter of the Budget, from the Liberal benches. Their criticism was directed to what they called the insufficient reserve I had kept in hand to meet supplementary expenditure, and they both maintained that I had been far too optimistic in my estimates of revenue. They prophesied with confidence that I should find myself with a deficit of £100,000,000 at the end of the year. Even some usually intelligent and well-informed journals expressed similar opinions. I may anticipate the event by mentioning here that at the end of the financial year there was a surplus of £3,659,000, which was only £365,000 below the figure for which I had estimated.

When I came to reply on the general debate I was in a very happy mood. The reception of the Budget and the weakness of the criticism had acted as a tonic. I adopted a light bantering tone which highly entertained the House. "As to this being an Election Budget", I said, "this is the first of a series of electioneering Budgets. I expect to be here next year, and I have sufficient regard to my own reputation not to produce a Budget this year the basis of which will be falsified in twelve months' time. It is not only a democratic but a sound Budget, and, indeed, I hear that there is a movement in the City of London to erect

a statue to me." Amid roars of laughter I sat down, and the first stage of the Budget was adopted without a division.

I felt considerable compassion for the Conservative Opposition in the difficulty in which they were placed in criticising the Budget. Apart from the repeal of the McKenna Duties, there was little in the Budget to bite on. Indeed, they openly claimed, as I have said, that it was just such a Budget as they would have introduced. So, having little to criticise in the Budget itself, they fell back upon what was not in the Budget, and they complained that it was not a Socialist Budget, and they wanted to know what had become of our programme for taxing unearned incomes to extinction and the appropriation of rents for Socialist extravagances. Indeed, they prophesied that there must be some diabolical design behind it, and that it was a dose of soothing syrup to put the capitalists to sleep before robbing them later. But, if it had not been for the proposal to repeal the McKenna Duties, the Tory Opposition would have had no case at all against the proposals, which they knew in their hearts to be sensible and fair.

The passage of the measure through the House would have been a very humdrum proceeding had it not been for the proposal to repeal the McKenna Duties. As soon as my announcement of this was made there broke out what I later described as a ramping, raging propaganda against the repeal. The recklessness and dishonesty of this campaign exposed what I had always regarded as one of the greatest dangers of a tariff system, namely its corrupting influence on politics. The Lobbies at the House of Commons were crowded out with representatives of vested interests bringing pressure to bear upon members of Parliament to oppose the repeal of these duties. Such an experience as I had during these weeks would have made

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every honest Protectionist who had some regard for the purity of our political life and for the independence of Members of Parliament into a Free Trader. However, I had better leave this aspect of the question until I come to deal with the debate.

Although the ordinary procedure on a Budget provided ample opportunity for a debate on the McKenna Duties, the Tory leaders insisted upon a day being specially set apart for a full debate upon the question. The Government were quite willing to grant this request, as we were well aware of the weakness of the Opposition's case and the strength of our own position. Mr. Baldwin, on behalf of his Party, put down a motion which was practically in the form of a vote of censure, though he denied that he regarded it as such. Mr. Baldwin's speech in moving this motion was the utterance of an honest man. Much for him depended upon making a good impression upon his Party and of securing some concession from the Government. There had been for some time mutterings in the Tory Party against his languid leadership, and many people felt that this debate was for him a crucial action which might determine the future of his political career. He opened very well with some flashes of wit and sarcasm which delighted his supporters. He made one delightful confession which was typical of Mr. Baldwin, and which deserves to be preserved. He apologised for the moderation of his language, and said: "My style of oratory has always been singularly ineffective because I cannot exaggerate, and because I attribute more cleverness and honesty to other people than they deserve." He made a delightful hit at me by saying: "Mr. Snowden is one of those fortunate men who has what is described as a first-class brain. I have always noticed that when a first-class brain does something stupid it not infrequently happens that a stupidity of this kind is colossal."

After this very entertaining opening Mr. Baldwin passed on to deal with the case for maintaining these duties. Mr. Baldwin is never good in arguing the concrete case. He is at his best with the emotional appeal, and some of his speeches in that key have been among the most effective I have heard in Parliament. But on this occasion, perhaps because there was little opportunity for sentiment, he delivered a very ineffective speech, which depressed his supporters. Before the debate was opened the general impression was that I should have a stiff battle. The Conservatives were confident that they would at least wring some concession from the Government. But by the time I had got through half of my speech the battle had been won, and won easily. The speech was described in the Press next day as "one of the most smashing pieces of destructive criticism that had been heard for some years in the House of Commons. It was like an irresistible tide sweeping all before it."

The success of this speech was due to the fact that I had an unanswerable case to state. The outside propaganda against the repeal of the duties had overreached itself, and its exaggerations and absurdities provided abundant material for effective exposure and reply. Under this exposure the Tories squirmed and wriggled, and the more they did this the farther I pressed the rapier into their bodies. I described the nature of the propaganda, and the intimidation which the motor manufacturers were pursuing. I had received hundreds of printed post-cards purporting to be signed by workmen which read: "Owing to the falling off of orders due to the proposed removal of the McKenna Duties we have been given notice that our services will not be required after the 9th of May." Grossly exaggerated statements had been made by the motor manufacturers as to the number of workers employed in the industry. They stated that there were

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4,000,000 persons employed in the industry. The Board of Trade stated that it would be a full figure to take 200,000 men as the total number of men employed in the private motor-car industry and allied trades. Statements had been widely circulated in the campaign that if the McKenna Duties were abolished 2,000,000 British workmen would be thrown out of employment! I was glad to admit that these exaggerated and untrue statements were not supported by the more responsible motor-car manufacturers, who dissociated themselves from what they described as the colossal humbug of this Press campaign. I received letters from workmen employed in motor works who described the methods which were being employed by the manufacturers to intimidate the workmen into sending the post-cards and signing the petitions.

I have described this campaign because it is a good instance of the way in which a protected industry will fight against every attempt to abolish the privileged position given to it by tariffs at the expense of the community. The substantial reason why the Government was proposing to abolish these duties was that the question had been submitted to the electors at the General Election, when they had by an overwhelming majority voted against tariffs. Acting upon this popular mandate, the Government were in honour bound to repeal the duties. "The Government will stand or fall on this proposal"—I concluded. But we did not fall.

The debate ended in the defeat of Mr. Baldwin's motion by a majority of 65 votes. After this decisive defeat of the Opposition the remaining stages of the Budget were carried through very quietly. The Report Stage was passed in one day—a feat that was without precedent for many years. Discussion on the Third Reading of the Finance Bill was a very formal proceeding, and it was passed without a division.

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I cannot pass away from this account of the first Labour Budget without paying a well-deserved tribute to my colleague—Mr. William Graham—the Financial Secretary to the Treasury. He was the ablest and most competent holder of that office I have known. He had prepared himself for such a position by years of intensive study of economic and financial questions. These subjects had a strong attraction, and he was never happy unless he was immersed in some financial problem. He had made a mark in previous Parliaments by his speeches on financial subjects; he had served on the Royal Commission on the Income-Tax, and was thoroughly acquainted with every detail of the Income-Tax system. No man ever went to a political office more fully equipped for the work he had to undertake. To show how anxiously he desired to have the opportunity of engaging officially in work so congenial to him I may be pardoned reproducing portions of a letter he addressed to me when the Labour Government was under consideration. I had written to him to say that I had definite information that the office of Financial Secretary would be offered to him. This is what he said in reply to my letter:

“DEAR PHILIP,

“I find it difficult to write to you, for I am so grateful for your message.

“The best reply I can give you is to mention the following. Nearly a fortnight ago, at one of our private meetings of the Central Labour Party, the members were asking me chaffingly if, as reported in some of the newspapers, I was going to the Scottish Office. I told them that no man would willingly go there, as the Office is one of the most thankless in the Government, but I had an ideal, which I hoped would be realised. I told them that we all hoped and expected you would be Chancellor of the Exchequer, and I wanted to go there with you as Financial Secretary.

“Your suggestion to stand aside for the higher post is char-



Photo by Press Portrait Bureau.

WILLIAM GRAHAM.

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acteristic of your great kindness to many of us. But it is too preposterous. All the members of the Parliamentary Party I know have singled you out for this work; we believe it to be beyond all doubt your task; and in fact in recent weeks we have assumed it in all personal discussion regarding the situation created by the General Election. Your long service to the movement, and the manner in which you have specialised in finance, are recognised by all of us, and I cannot believe there is one member of the Party who would have a word of criticism.

"It is difficult to believe that our ideal is so near realisation. Even if we had only a short time in office it would be a great experience. Within recent years I have read little but economic problems and finance; it would be a great joy to me to work under you with all the energy I could put into it. If it comes to pass, I shall do everything I can to lighten the load for you both at the Treasury and in the House. Without any lack of modesty, I think we can say that the combination would be a very happy one in the eyes of the Parliamentary Party. We have both a number of critics, but they are negligible.

"All kind regards to you, and the assurance of all my friendship and support through thick and thin in the work to which I trust we shall be called.

"Yours sincerely,

"WILLIAM GRAHAM."

My relations with Mr. Graham from the time I first knew him were more those of a warm personal friendship than a mere political association. Members of Parliament used to call us "the happy twins". He had those qualifications for Treasury work which I did not possess. He was a master of detail. My line was more that of dealing with broad principles. The function of the Financial Secretary when the Finance Bill is in Committee is to help the Chancellor, particularly on matters of detail which might arise.

In the Committee Stage members sometimes raise unexpected questions relating to intricate points of Income-

Tax law of which no notice has been given. The officials of the Treasury and Revenue Departments sit under the Gallery ready to be consulted when unexpected questions arise on which the Chancellor and Financial Secretary have not been briefed. Very often, when a member raised some new and difficult point, I would say to Graham: "I don't know anything about all this. Do you?" He was sitting alert, listening to what the member was saying, and replied to me: "It's all right. I understand it." And when the member sat down Graham would rise, and in his clear style give a complete reply from the profundity of his knowledge.

As a speaker, Mr. Graham was something of a phenomenon. Whether he delivered a short or a long speech he never referred to a single note. His memory was prodigious, and a never-ending source of amazement to the House. When he had to make a long speech on a subject upon which an exhaustive brief had been prepared he could repeat the brief with hardly a verbal change. He told me that the explanation of this was that when he read a brief or a memorandum it made a photographic impression upon his mind, and from this mental impression he could speak as if he were reading the text of the memorandum. I am afraid, however, that this must have imposed a considerable strain upon him which affected his health, and probably was responsible for his early and deeply regretted death.

As a speaker, his style was very different from mine. He was never provocative, never rhetorical, and always confined himself strictly to a business-like statement. During the time the Finance Bill was under discussion, *Punch* published a cartoon where the two of us form a cruet, the one labelled "Vinegar" and the other "Oil". If I had to be absent from the House during the debates on the Finance Bill I could always with confidence leave

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Mr. Graham in charge. I never knew a man so fond of work. He hardly ever took a holiday, and when he did he took away with him voluminous documents to study. He occasionally took a day off for a cricket match at Lord's, the only recreation he enjoyed, and even then he filled his pockets with official documents to read in case the game was dull. I tried sometimes to induce him to read a detective story as a change, but that was too frivolous an indulgence for him. When the Labour Government came to an untimely end, Mr. MacDonald recommended Mr. Graham for a Privy Councillorship, an honour which was never more deservedly conferred.

The proudest day of my life was not when I introduced my first Budget, but a month later when I went back to my birthplace in Yorkshire. The villagers felt that they must do something to show their pride in the fact that one of themselves had attained a high Ministerial office. The Parish Council, on which I had begun my first public work, had taken action and arranged for a celebration of my homecoming. The whole parish had taken up the movement with great enthusiasm. The celebration took place on the 17th of May. Cowling is four miles from the railway station, and my wife and I made the journey by car. At the entrance to the village we were first welcomed by the members of the Parish Council. Then the councillors marched in procession up the main street accompanied by the Cowling Temperance brass band, and followed by hundreds of people from far and near. Large parties had come from surrounding districts. The village was *en fête*. The main street was hung with bunting and banners expressing messages of welcome to "Aw'r Philip", mostly in the native dialect. We went along to the Methodist Sunday School, the largest hall in the village, where a wildly enthusiastic meeting was

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held, though only a small number of the crowd was able to gain admission. The Chairman of the Parish Council, who had been my colleague on that body thirty years before, presided at the meeting, and the platform was filled with my boyhood friends. The Chairman made a presentation to us of a silver rose-bowl and vases suitably engraved.

Before I left the village we visited in their own homes a few of the old folks I had known as a boy, and called at the little cottage where I was born.

This event was the grandest experience of my life, and the only regret I had was that my mother had not lived to see it. She had died two years before, in February 1922. Her death was the result of an accident. She slipped on a treacherous piece of ice and broke her thigh. At her age (she was nearly 90) it was impossible to repair the fracture, and after a fortnight she died.

Up to the time of her death she had lived alone in a little cottage next door to my married sister. She was able to do all her housework, and declined outside help. All her life she had enjoyed remarkable health. I never knew her to be confined to bed for a single day. Up to her accident she had risen every morning not later than six o'clock.

She was a woman of strong independence of mind and action. She was one of those rare individuals who become more liberal in their views with advancing years. Up to the date of her accident she maintained her interest in public affairs, and at nearly ninety years of age her memory of events of eighty years before was remarkably clear. She lived through the Great War, and was outspoken in denouncing all the horror and futility of this calamity.

She had remained a widow from the time of my father's death thirty years before. She had the full flavour of the



MY MOTHER IN HER 90th YEAR.

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rich West Riding dialect, and her quaint dialect stories and recitations charmed and delighted her friends. There is preserved at Leeds University a gramophone record of her speech.

I deeply regretted the accidental cause of her death, for, with her strong constitution, I believe that if this had not happened she would have lived to be a centenarian.

She had a simple and touching religious faith, and her last words before she sank into a state of coma were: "I am going to be with Jesus."

CHAPTER XLIX

Some Minor Embarrassments

THE rise of the Labour Party to the position of the official Opposition brought a number of minor embarrassments. One of those was the attitude the Labour Party should adopt to ceremonial functions, official dress, and invitations from Buckingham Palace. It had long been the custom for Members of Parliament of all Parties to receive invitations to the annual Garden Parties at the Palace. There never had been any objection to the acceptance of these invitations, but the situation was now rather different because ceremonial occasions involved the question of Court dress or official uniforms.

When Mr. Lowther was Speaker of the House he was very punctilious about the observance of established customs. It is the practice of the Speakers to give at the opening of the session, separately, dinners to the chief members of the Government and the chief members of the Opposition. After these dinners a levee is held, to which Members of the House of Commons are invited on the strict condition that they appear in levee dress or in military, naval or other official uniform. As no member of the Labour Party in those days possessed any of these sartorial qualifications, they were unable to accept the invitation to the dinner or the levee. Mr. Lowther compromised on the matter to the extent of inviting the members of the Executive of the Parliamentary group to an occasional luncheon.

When Labour became the official Opposition there were

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two courses open to them: to absent themselves from all ceremonial functions where Court dress or uniforms were essential, or to equip themselves with the necessary attire. But by the time the Labour Party had to settle this problem Mr. Lowther had resigned his Speakership and Mr. Whitley had been elected his successor. Mr. Whitley relaxed the rule which insisted upon levee dress at the Speaker's Levee. He enforced the condition that those who possessed such dress should put it on for the occasion. But others who did not possess it were excused, and were welcome to the levee in ordinary evening-dress. Indeed, he went further, and in the case of some of the poorer Labour members he permitted their attendance in an ordinary morning-suit.

In the early days of the 1923 Parliament, when Labour had become the official Opposition, Lady Astor invited three prominent Labour members to dinner at her house to have the honour of meeting the King and Queen. I believe it was by the special desire of Their Majesties that this invitation was given. The three Labour members to whom this invitation came were Mr. Thomas, Mr. Clynes and myself. The invitation was also extended to our wives. Mr. MacDonald was not included in this invitation because about the same time he had been invited to a private dinner party at Buckingham Palace. The card of invitation which we three received to Lady Astor's dinner contained the instruction that knee-breeches were essential. This condition put two of us in a difficulty. We did not possess this particular type of nether garment. Owing to my lameness I was excused appearing in knee-breeches. The condition did not in the least trouble Mr. Thomas, who, I believe, was already in a position to fulfil the demand. The third member of our little group could not be excused, and Lord Astor and Mr. Thomas set to work to provide the breeches for him. It appears there is a second-hand

clothes shop in Long Acre which lets out for temporary use evening-suits, knee-breeches, and levee dress and uniforms, so our colleague was taken to this emporium. But a further difficulty arose. He was very small in stature, and a pair of knee-breeches to fit him could not be found. He was eventually fitted with the smallest pair they had in stock, but they were still too wide and too long in the legs. With the aid of a plentiful supply of safety-pins they managed to give him a fairly presentable appearance. Those of us who were aware of all this were probably as uncomfortable as the wearer when he was being presented to the King, for we were in mortal fear that the pins might give way and transform his knee-breeches into long trousers.

When we became members of the Government the question of dress on official occasions became a rather urgent matter. We put forward the suggestion that on such occasions when members of the Government were required to attend Court functions they should be permitted to wear black evening-dress and knee-breeches, but this suggestion was not acceptable to Lord Stamfordham. He was then Private Secretary to the King. So it was arranged that a panel of Ministers who either already possessed or were prepared to acquire the necessary uniform should be formed from which three Ministers required to attend Court functions would be drawn, and that Ministers who did not possess a Court uniform should be excused from attending functions at which this dress is obligatory. As it worked out, however, there was no difficulty in conforming to this condition, as most of the members of the Government acquired the necessary dress. There was some little criticism in the Labour Party at what they called "this submission to flunkeyism", but I do not think this criticism was widespread. As a matter of fact, the constituents of the Labour members who

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appeared in the full uniform were rather pleased to see the photographs in the newspapers of their representatives arrayed in all this glory.

We had a number of amusing experiences, some of which are perhaps worth relating. My friend Stephen Walsh, who was Secretary of State for War, had acquired the full uniform in which to appear at the Speaker's Levee shortly after we took office. He told me how he managed to get to the levee without attracting much public notice. He was living at the Strand Palace Hotel, and he was anxious to avoid passing through the lounge of the hotel, so he had taken the housekeeper into his confidence and asked her if there was any private exit from the hotel. She told him there was a coal lift at the back which gave access to a quiet street, and they could arrange for Mr. Walsh to be taken down in this coal lift, and a taxi could be brought into the street. So, by means of the coal lift, Mr. Walsh in his gorgeous uniform was able to get to the Speaker's Levee without attracting public attention. At this same levee one of my colleagues, who had never before put on an evening-suit, came and showed me his shirt-cuffs. He had no links, and explained that he had broken them in trying to get them into the cuffs, which were as dirty through the struggles he had had as if they had been smeared with soot. Another of my colleagues, who for the first time appeared in knee-breeches, told me that he had sent for his son from Yorkshire to help him to get into them !

CHAPTER I

The Dawes Report Conference

AT the time the Labour Government took office the question of German Reparations was still unsettled. In the previous four years there had been innumerable conferences between the Allied Governments to arrive at a settlement of this problem by fixing the amount of the German payments at a figure that might be within the capacity of Germany to pay. The fantastic figure of reparations which had been talked about at the time of the Paris Peace Conference had been repeatedly scaled down. In 1922 a new scheme was submitted to Germany which fixed her Reparation Debt at £6,600,000,000. It soon became apparent that Germany was not in a position, owing to the complete collapse of her currency and her general financial condition, to make the annual payments, and the Reparation Commission was informed accordingly. The Commission granted a provisional moratorium.

The British Government from the beginning of these difficulties took up a very reasonable attitude, which was in striking contrast to that of France. At the beginning of 1923 Germany was technically in default in the delivery of timber under the Reparation Scheme. The Reparation Commission had a majority of French and Belgian members. The decision to declare Germany in default was opposed by Sir John Bradbury, the British member. The French members were anxious to secure a declaration of voluntary default so that the sanctions provided by the

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Treaty of Versailles could be applied. The Reparations Commission, the week after this first declaration of default, on the initiative of the French delegates, declared that Germany had again defaulted in coal supplies. Immediately following this decision of the Reparation Commission the French Government decided upon the occupation of the Ruhr. Then followed a series of further minor defaults on the part of Germany in the payments in kind. This gave the French, Belgian and Italian Governments the excuse for the further occupation of German territory. The whole question of the Reparations was then thrown into a state of chaos. The British Government protested against the occupation of the Ruhr as a violation of the Peace Treaties.

Things remained in this chaotic condition until the autumn of that year (1923), when on the initiative of the British the Reparations Commission set up two committees of experts to consider means and ways of balancing the German Budget and stabilising her currency; and to estimate the amount of Germany's capital deposited abroad and the means of restoring it to Germany.

The main Committee was presided over by General Dawes, an American financier, and the British members of the Committee, though not representatives of the Government, were Sir Josiah Stamp and Sir Robert Kindersley. There were also expert members of the Commission from France, Italy and Belgium, and Mr. Owen Young, an American. This Committee did its work with great efficiency and with unusual expedition. It issued its report at the beginning of April. It is no secret that the drafting of this Report was mainly the work of Sir Josiah Stamp. Signor Pirelli, one of the Italian members, told me a good story. General Dawes' contribution to the work of the Commission was confined to presiding over its plenary sessions. About the time of the London Conference, at

which the report of the experts was considered, General Dawes said to him: " I hear a lot of talk about this Dawes Report. I think I shall have to read it to see what it is all about."

By the time this Report was issued the Labour Government had taken office, and it fell to them to meet the Allied Governments in Conference to put the Report into operation. The Dawes Committee in their Report stated they approached the task as business men who were concerned with the technical and not the political aspects of the problem, with the recovery of debt and not the imposition of penalties. In their opinion the solution of the problem of Reparations involved the restoration of Germany's credit, both internal and external. Questions of political guarantees and military occupation fell outside the Committee's jurisdiction, but, they declared, the plan they proposed was based on the assumption that existing measures, so far as they hampered economic activity, would be eventually withdrawn.

This statement clearly implied that the occupation of the Ruhr must be terminated if Germany were to be given a chance of restoring her economic life. The experts further expressed the opinion that Germany was well equipped with resources, and as soon as her economic position was restored she would be able to meet her Reparation obligations. The experts did not fix a maximum of German Reparation payments, but proposed an ascending scale of annual payments which in a full year would rise to £125,000,000. In addition to this, deliveries in kind were to be continued. The Report was accepted by the German Government, who said that they regarded it as a practical basis for the rapid solution of the Reparations problem, and declared that they were ready to give their collaboration in carrying it out.

Soon after the Report was issued, Mr. MacDonald—

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who combined the office of Foreign Secretary with that of the Premiership—got into touch with the French Prime Minister for a preliminary conversation on the Report. Just before that time M. Poincaré had been defeated, and M. Herriot—who belonged to the Left Wing of French political parties—had taken office and become Prime Minister. Mr. MacDonald invited him over for a weekend at “Chequers” for a preliminary talk on the Dawes Report. It was never made quite clear what took place at this conference; but, from what transpired a few days later, Mr. MacDonald and M. Herriot appeared to have taken away somewhat different impressions of their conversations. Immediately after these conversations Mr. MacDonald sent a dispatch to the British Ambassador at Rome, the first paragraph of which stated that Mr. MacDonald believed M. Herriot had agreed that it was necessary to convoke a small Allied Conference for the purpose of concerting arrangements requisite to put into force the suggestions contained in the Report of General Dawes. He also suggested that these requisite arrangements might be embodied in a protocol to be signed by the Allies and Germany. This dispatch then went on to state categorically the views of the British Government on the terms of these arrangements. The succeeding paragraphs should be quoted in full in view of the effect this dispatch had upon French public opinion. They read as follows:

“His Britannic Majesty’s Government favour the plan of fixing in such protocol (a) a date by which Germany must complete legislation and other measures which she will have to take; (b) a later date—perhaps two weeks after the first date—at which all economic and fiscal sanctions now in force in German territory and which affect the economic activities of German Reich would be withdrawn. This plan had already been suggested at conversations which took place in England early in May between Mr. MacDonald and the Belgian Ministers.

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"It is laid down in the report of General Dawes that only in the case of a flagrant failure to carry out conditions which the report embodies shall sanctions be reimposed. The protocol now suggested should therefore contain a stipulation to that effect, and it will be necessary to decide what authority, in the event of a flagrant failure occurring, is to decide that there has been such a failure. The engagements which Germany is to undertake under the scheme proposed in General Dawes' Report go far beyond those imposed by the Treaty of Versailles, and it seems, therefore, to His Britannic Majesty's Government that the duty of deciding whether a flagrant failure has occurred cannot properly be entrusted to the Reparation Commission, since the functions of that Commission are strictly determined by the Treaty of Versailles. It has been suggested that the services of the Financial Committee of the League of Nations should be invoked for this purpose.

"The protocol must also include a clause providing for reference to the International Court of Arbitration of any dispute in regard to proper interpretation of its terms."

This dispatch had not been sent to the French Government, and when its contents became known there was a violent outburst in the French Press, and for a time M. Herriot's position appeared to be severely shaken. It was naturally assumed that the views expressed in the British dispatch were also those of M. Herriot, and that they had been agreed to during M. Herriot's visit to England. The sentiments expressed in the paragraph I have stated undoubtedly harmonised with British public opinion, but they were wholly unacceptable to France. Indeed, at the Inter-Allied Conference which was held a few weeks later, the points raised in this memorandum were the subject of heated differences between sections of the delegates. The wrath of the French Press was poured much less on Mr. MacDonald than on M. Herriot, who was charged with having been tricked and with having had another Sedan inflicted upon France. The fact that this dispatch had not been sent to the French

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Government was regarded as a deliberate insult. The situation was so serious for M. Herriot that he had to issue a statement declaring that the views expressed by Mr. MacDonald were solely those of the British Government. The British Government had also to issue a statement that an invitation to the Conference had not been sent to France because it was deemed unnecessary in view of the "Chequers" meeting. Matters were not improved by the further statement that if the French Government wanted an invitation sent to them it would be sent.

The situation was really so serious that it not only threatened to destroy the proposed Conference, but to create serious difficulties with France. However, Mr. MacDonald took the matter in hand, and packed his portmanteau for a week-end visit to M. Herriot in Paris. The two Prime Ministers spent a couple of days together, and at the end the misunderstanding was cleared up, and M. Herriot publicly expressed the opinion that the *entente cordiale* was now stronger than it had been since the Armistice! At the conclusion of their conversations a long memorandum was issued which set out in detail the points they had agreed upon for putting the Report into effect. The French Press regarded this Franco-British Memorandum as a defeat for Mr. MacDonald. But it actually strengthened M. Herriot's position, and after a debate upon the subject in the French Senate two days later M. Herriot received an overwhelming vote of confidence. In a statement in the House of Commons the day after his return from Paris, Mr. MacDonald declared that the British Government held by the views he had expressed in his first dispatch, though he agreed that they should be the subject of discussion at the forthcoming Conference.

The Inter-Allied Conference met in London on the 16th July. Ten countries were represented at the Conference, but all its work was conducted by the representatives of Great Britain, France, Belgium and Italy, with the two United States "observers".

The first work of the Conference was to appoint three Committees. The first Committee, of which I was chairman, dealt with the measures the Allies might take in the event of the wilful default of Germany, and with the conditions on which an international loan might be raised—which the experts had reported as being the first step towards the financial restoration of Germany.

From the opening of the Conference it became clear that the French delegates were insisting upon the retention of the powers already possessed by the Reparations Commission to declare Germany in default. The Reparations Commission, as I have already pointed out, had upon it a majority of French votes, and if the existing powers of the Commission were retained the decision of the Reparations Commission would be in effect the decision of the French Government. The French delegates insisted upon the right to take independent sanctions against Germany in case of a default declared by the Reparations Commission. The French Minister of Finance took the line that it would be fatal to the French Government if it got about that France had given up her right to take independent action. The discussion on this question fell to the Committee over which I presided, and we spent days of time in trying to reconcile France to a more reasonable attitude. We occupied one whole morning in discussing what was meant by the words "wilful default". The British delegates took up the attitude that a default ought not to be declared if the reason for it was beyond Germany's control. After a long and at times rather heated debate, the Committee

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agreed to set up an Arbitration Commission, to whom an appeal might be made by any member of the Commission regarding a default by Germany where the Commission was not unanimous. This arrangement was sufficient safeguard against the application of economic or military sanctions by one country only.

Such an arrangement as this in regard to sanctions was necessary if favourable conditions were to be given to the flotation of the international loan to Germany of £40,000,000, which was recommended by the Expert Committee. Investors could not be expected to put money into a country which might be liable at any time to the destruction of its economic life through military occupation by a foreign country. To meet this difficulty to some extent we secured the insertion in the protocol of the Conference of a clause that the loan would be entitled to absolute priority on the resources of Germany and priority also before any resources which might arise as a result of the application of sanctions.

Apart from the political aspects of the occupation of the Ruhr, the continuance of this occupation was calculated to make the raising of an international loan very difficult, and the international bankers who would have to float the loan declined to undertake to do so unless the French withdrew from the Ruhr. These international bankers came in for a good deal of criticism in the French Press, who charged them with being tools of the British Government. The attitude of the bankers was perfectly reasonable. It was not their own money they would have to invest in the loan, but the money of the people from whom they could borrow it. The loan would have to be raised mainly in Britain and America, and the French declined to pledge themselves to raise any part of it.

When the three Committees had prepared their pre-

liminary reports, the question arose of the invitation of the German delegates to the Conference. Up to this time the Germans had never been invited to be present to put their own case at any of the numerous Reparation Conferences which had been held in the previous four years. A Labour Government could not follow the precedent of the Paris Peace Conference and decline to hear the views of the Germans upon a matter so vitally affecting them. After some opposition from certain Allies it was agreed to ask the Germans to come to London to meet in a Plenary Conference, where they were assured they would have every consideration and be given every opportunity to place their views before the Conference upon the scheme as it had been amended by the Committees of the Inter-Allied Conference.

The German delegates brought with them a numerous staff of experts, translators, clerks and typists. When the German delegates appeared at the Conference they were received with politeness by all the Allied delegates, if not with cordiality by the French. The principal German delegates were Dr. Marx, who at that time was Chancellor; Dr. Stresemann, then Foreign Secretary; and Dr. Luther, who, I think, was Finance Minister. The German delegates appeared to me to be suffering from a consciousness of their position, and to be uncertain whether they would be treated as the German delegates were treated at the Paris Conference and regarded as culprits who had come to hear the sentence passed upon them. But as the Conference proceeded they seemed to gain confidence and courage to place their views boldly before the Allied delegates. At the first Plenary Session they were given copies of the Reports of the three Allied Committees, and they were asked to study them and present to a further Plenary Session their observations upon them and their proposals for amendment. Unlike

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the way in which the Peace Treaty was presented to the German representatives at Versailles, the Reports of the Committees were not handed to them with a statement that they must be accepted or rejected as they stood. A day or two later the Germans had completed their examination of the Reports, and were prepared to submit their observations to a further Plenary Session.

The main points upon which the Germans desired to amend the Reports of the Allied Committees were with regard to deliveries in kind, protection against the application of sanctions for a default which might become inevitable, and the French demand for the investment of reparation payments in German industry. But the matter in which they were interested beyond all else was to secure an early evacuation of the Ruhr. This question was never discussed in the Plenary Sessions of the Conference because it did not directly arise out of the Dawes' Report; but the evacuation was implied in this document. The negotiations on this question of the evacuation of the Ruhr were carried on between the chief delegates of both sides in private conversations.

When this question was first raised in the conversations between the principal Allied delegates, M. Herriot had insisted upon a period of two years before evacuation could take place. This was a preposterous demand, and one which the British Government could not possibly accept. Mr. MacDonald made it perfectly clear to the French and Belgian Prime Ministers that the British Government did not recognise the Ruhr occupation, and when the Dawes' Report came into operation there could be no justification, even from the French point of view, of continuing the occupation.

In the dispatch which Mr. MacDonald had sent to the British Ambassador at Rome, based on the conversations with M. Herriot at "Chequers", he said that the British

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Government favoured the plan of fixing in the Protocol of the Dawes Plan a provision for the removal of sanctions then in force in German territory within two weeks of the date when Germany had completed legislation and other measures to put the Plan into operation.

It seemed at one time as though the Conference would break down on this issue. The Germans were quite reasonable on the matter, and were willing that the evacuation of the Ruhr should be by rapid stages beginning at once. M. Herriot was admittedly in a difficult position. He himself, I believe, was willing to expedite the evacuation, for he had opposed Poincaré's action when the occupation took place. But there were forces behind him too strong for him to resist. He had to take into account French public opinion, and when it was known that this question was being discussed in London a storm of adverse criticism broke out in Paris. M. Herriot was not a strong man, and surrendered easily to opposition. He had among his colleagues on the French delegation at the Conference General Nollet, Minister of War, who kept M. Herriot in a state of terror. General Nollet wanted the permanent occupation of the Ruhr for military security. I had a conversation with General Nollet during the Conference, and he put these views quite frankly before me.

When the Conference appeared to be at the point of disruption on this question, M. Herriot hurried to Paris to consult his Cabinet and take stock of the position. When he returned he appeared to have secured the support of his Cabinet to a proposal to reduce the period of further occupation. But the French were not prepared to agree to this modified period without exacting from the Germans some commercial advantages. Another crisis came two days later, and M. Herriot declared that the utmost he could concede in view of the pressure of

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French public opinion was to agree to the withdrawal from the Ruhr in twelve months. Mr. MacDonald, supported by Mr. Kellogg, the American Ambassador, faced by this situation, pressed the German Ministers to accept this condition in return for the advantages which the Dawes Plan offered to Germany.

I had been kept informed of the negotiations which had been going on, and I felt strongly for several reasons that this bargain should not be accepted. I had a letter from Mr. MacDonald on the night of the 14th August informing me of the state of the negotiations, and I replied at once to him giving my views very frankly upon the situation. In the course of this letter I said:

“To countenance in any way the claims of the French to remain in the Ruhr for a year is so utterly opposed to the whole conception of the Dawes Plan and is so contrary to everything we as a party and Government have professed, that it would, in my opinion, be deliberate suicide to countenance the French claim in any shape or form.

“The French, as well as everyone else, know full well that there is no chance whatever of the Loan if the French do not at once begin the evacuation of the Ruhr. This is not merely a banker's demand. It is an investor's demand. No sane person would lend a penny to a country whose chief industrial area was occupied by foreign troops.

“I was told at noon to-day that at the midnight meeting last night you and Kellogg pressed the Germans to accept the twelve months' occupation, and assured them that this Loan would be all right. Kellogg had expressed this view to me.

“The suggestion you mentioned to me this afternoon that ‘as evidence of good faith’ Herriot would announce the evacuation of Dortmund seems to me on reflection to be far worse than nothing, for it would be evidence not of good faith but an obvious pretence.

“I am not making this serious statement on any impulse. I have seen this crisis coming from the opening of the Conference, and I have been thinking about it continuously. I am sure that if the British Government supports Poincaré in this matter it

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will not only destroy all chances of a European settlement but will ruin your Government."

The Germans, under compulsion, eventually accepted the French conditions, but at the close of the Conference Mr. MacDonald handed to the Press a copy of a letter he had addressed to the French and Belgian Prime Ministers stating the views of the British Government regarding the occupation of the Ruhr. I think Mr. MacDonald's letter ought to be quoted in full, for it was a bold declaration of his disapproval of the action of the two Prime Ministers to whom the letter was addressed. He said:

"In view of the new agreement which has been reached regarding the occupation of the Ruhr and of the exchange of Notes between the three Governments primarily concerned, it is necessary that I should reiterate in writing the position of the British Government as I have so frequently explained it during the last two or three days. The British Government has never recognised the legality of the occupation of the Ruhr nor the interpretation of the clauses in the Treaty of Versailles upon which their Allies acted. They hoped that as that occupation was undertaken solely for economic purposes it would be withdrawn so soon as the Dawes Report was put in operation. The Expert Committee, because their terms of reference were too limited, had to refrain from making recommendations regarding this military occupation, but they made it clear that the economic effect of the occupation could not be overlooked if and when the report was acted upon.

"The occupying Powers and the German Government have agreed to accept an arrangement by which the occupation shall not extend beyond twelve months from this date, but may be terminated earlier. The British Government, without prejudice to the position which they and their predecessors have taken up as to the interpretation of the Treaty, but being anxious to see the Dawes Report in operation, simply note the agreement and urge most strongly that the Governments concerned should take every possible step to hasten the evacuation, as in the opinion of the British Government the continued occupation

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may prejudice the working of the Dawes Plan and jeopardise the arrangements agreed to at the London Conference.

The publication of Mr. MacDonald's letter, and of an interview which I gave to an English newspaper in which I expressed similar views, aroused a storm of indignation in the Paris Press. We were both for days the objects of the most vituperative abuse. Mr. MacDonald's letter was described as a bludgeon blow at M. Herriot.

There was one further incident which gave rise to some unpleasantness, but that did not find expression on the floor of the Conference. The French were insisting upon a clause being inserted in the Protocol relating to the permanent investment of reparation payments in German properties. The French proposal clearly went beyond the recommendations of the Dawes Committee. This Committee intended that no investments of such a character should be made in German properties without the full assent of the German Government. French delegates insisted that the Transfer Committee should have the power to make such investments. In the original form of this French proposal the Transfer Committee could make such investments without the assent of the German Government, but M. Herriot conceded that, if the German Government objected, the matter should be referred to an arbitrator whose decision would be final. All the delegates except the French were agreed that it was very undesirable that such investments should be made out of reparation funds, but the French insisted that the Transfer Committee should not be prevented from making such investments.

The Germans felt strongly upon this point, and put into the proceedings of the Conference a protest against it. When M. Herriot agreed that a particular instance of such investment might be referred to an arbitrator,

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I congratulated him upon his faith in arbitration, and hoped that he would support arbitration upon other matters upon which the Conference was divided! My remark passed with no comment, but it turned out that after the meeting M. Herriot began to think about my observation, and that evening he rang up Mr. MacDonald in a state of frantic indignation. He declared that I had insulted him and cast reflections upon his honour ; and that, unless he could get satisfaction, he would pack up his bag at once and leave the Conference. A night's sleep, however, appeared to have mollified his anger, for next morning he was in a cordial humour, and I heard nothing about the incident.

This Conference and the Dawes Plan for exacting German Reparations are now more or less matters of history, but I have dealt with the Conference at some length in the hope that perhaps my impressions of it may be of some use to a future student who reads the story of the innumerable efforts to exact War Reparations over a period of fifteen years, and to point the moral of their futility. I am anticipating future events by stating here that after four years of its operation the Dawes Plan was found to be impracticable, and another " Expert Committee " was set up to prepare a new plan.

The outstanding figures at the Dawes Conference among the foreign delegates were M. Herriot (the French Prime Minister), M. Theunis (Prime Minister of Belgium), and Signor Jung (the Italian delegate). M. Herriot did not make much impression upon me, but his uncertain Parliamentary position was a great handicap to him, and probably explained his lack of courage in facing momentous decisions. Since I made his acquaintance at this Conference I have followed his political career in France with interest, and I think I have noted all through the same hesitation in giving a strong lead. But, of course,

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it is difficult for Englishmen to understand the interplay of French political affairs—the complication of innumerable parties—the difficulty of a statesman who must always depend for support upon a compromise. M. Herriot is, I believe, a man of considerable literary attainments, and was formerly a Professor of Literature, and he is probably more fitted by nature for that than for the stormy life of French politics.

One of the ablest men I have met among foreign statesmen was M. Theunis. Since the London Conference M. Theunis has left politics to devote himself to business. This must have been a great loss to Belgian politics, for he was one of the most astute diplomatists in Europe, and carried great influence at international gatherings. I liked Signor Jung, the Italian delegate, very much. He had lived for many years in America, spoke English perfectly, and was thoroughly acquainted with the Anglo-Saxon character. He was very useful in the Conference, and was always ready to devise some new formula which might solve the problem we were discussing.

Mr. MacDonald's chairmanship of the Conference was admirable. In that position he was unable to take a strong line, but, when nerves were becoming raw and tempers threatened to explode, he was ready to pour oil on the troubled waters and calm the rising storm. He made a good impression on the continental delegates, and, until the publication of his letter about the occupation of the Ruhr, the French Press had been warm in its congratulations upon his conduct of the Conference. The French are the most pleasant people in the world to get along with provided they get all their own way; but cross them, oppose them, criticise them, and the French Press will burst out into unrestrained vituperation.

CHAPTER LI

The Russian Treaty

PARLIAMENT adjourned for the Summer Recess on the 7th of August 1924. The Labour Government had then been in office for six months. Its popularity in the country had grown rather than diminished. The fears had been dispelled which many people entertained at the time the Government was formed that it would either soon expose what Mr. Churchill called "its unfitness to govern", or that it would indulge in rash Socialistic schemes and destroy the financial credit of the country. In this six months it had produced a programme of useful social reform, moderate in its character, limited by the fact that it had not a majority of its own Party. Unemployment had been reduced from 1,215,000 to 1,026,000. Since they took office the Labour Government had been defeated ten times, but not on any vital issue which indicated that the Government had lost the confidence of the House of Commons. On a number of occasions it had been saved from defeat on vital issues by the support of the Conservative Party.

At the time of the adjournment the relations between the Government and the Liberal Party were not very harmonious. Sir John Simon and Mr. Pringle had continued their vendetta against the Government, and the speeches of the Liberal leaders in the country were becoming more and more hostile to the Government. The House of Commons was to meet after the Recess at the end of September, when decisions would have to be

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taken upon one or two important questions on which there were likely to be acute divisions between the Government and the Liberal Party. The chief of these was the Treaty which had been concluded between the Government and the Russian Soviet Government. As this was a matter which played a prominent part in the General Election which followed in October, it is necessary to give a rather full account of the nature of this Treaty and of the circumstances under which it was concluded.

Following the *de jure* recognition of the Soviet Government by the British Government in January, the Russians were invited in April to send a deputation to London to attempt to settle outstanding questions between the two Governments. Chief among these questions were the Inter-governmental Debts, the claims of British holders of Russian Bonds and of the British subjects who had had their property taken away. These were matters to be settled before complete commercial relations could be established between the two countries.

This Anglo-Soviet Conference opened at the Foreign Office on the 14th of April. Mr. MacDonald was too busy with the combined offices of Prime Minister and Foreign Secretary to take part in this Conference, which sat from day to day; so Mr. Arthur Ponsonby, the Under-Secretary for Foreign Affairs, took charge of the work of the Conference as the representative of the British Government. He was assisted in the negotiations by representatives of the Treasury, the Board of Trade and the Overseas Trade Department. This Conference continued its conversations for four months without making much progress towards agreement upon the outstanding questions.

By the 4th of August the Conference had drafted, but not agreed upon a Treaty; matters had come to a deadlock on the question of compensation for the repudiated

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Russian debts and the confiscated private property of British subjects. Some of the Soviet delegates had been in touch with certain of the Labour members and Trade Union officials during the whole Conference. They had been telling fairy-tales about the hundreds of millions of Russian orders which were waiting to be given to British industrialists as soon as a Treaty was signed. When the announcement was officially made by the Foreign Office that the Conference had broken down, the Soviet delegates got to work with this group of British Labour members and Trade Unionists, and a meeting was held in one of the rooms at the House of Commons at which all the Russian delegates were present.

This meeting, which had no information beyond what the Russians told them, after an hour's conversation, decided the Conference should not disperse without producing something in the nature of a Treaty. A deputation of Labour members from this meeting got in touch with Mr. Ponsonby, and impressed upon him that it would be fatal to the reputation of the Labour Party if the Conference failed to come to some agreement. The outcome of this conversation was that next day these Labour members submitted a formula which they said might bridge the main outstanding differences. This formula was submitted to me, and it seemed so innocuous and so meaningless that as a mere face-saving device I had no objection to it if it would save the Conference from complete collapse. Next morning, on the 6th of August, the Conference reassembled, when a farcical arrangement was reached, and Mr. Ponsonby the same evening informed the House of Commons that an agreement had been reached. A preliminary Treaty had been concluded which would be presented to Parliament next day in the form of a White Paper. In accordance with the usual practice, this Treaty would lie on the

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Table of the House for twenty - one days before ratification.

This announcement led to a rather acrimonious debate in which the agreement was characterised, not inaptly, as a mere fake. This Treaty left unsettled the vital question of compensation for Russian debts and confiscated property, but proposed that later a committee of six persons—three of them Russian and three British—would go into the matter and submit concrete proposals which would be embodied in a later treaty. The fact was that the Russian Government had not then nor at any other time the least intention of paying a penny of compensation. Her only concern was to get a loan, guaranteed in respect of interest and sinking fund by the British Government. The Russians were quite ready to make plenty of pledges as to their future action on the matter of compensation if a loan could be secured thereby.

It was this proposal that in certain circumstances the British Government would guarantee a Russian Loan which provoked violent criticism and protests both in the House of Commons and in the Press. I never got very excited about it, because I knew that the preliminary conditions laid down by the British Government would never be met by the Russians. In the General Election which took place in the following October I had perforce to make many references to this subject in my Election speeches, and the substance of what I said may be summarised in a sentence. I said that so long as I was at the Exchequer there would not be a penny of British Government money given to Russia without such security as would make a repudiation of the loan impossible.

Parliament adjourned for two months the day after the publication of the Draft Treaty, and the Liberal and Conservative members went away to their constituencies to denounce and misrepresent this part of the Treaty

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which promised conditionally to guarantee a Loan. The most ridiculous statements were made as to the amount of the suggested Loan. The Russians, of course, would have been glad to get—if it ever came to that point—an unlimited Loan, but in the course of the conversations which had taken place in the Conference the British delegates had never suggested a larger sum than £30,000,000. The British Government were never in favour of guaranteeing a Loan. During the sitting of the Anglo-Soviet Conference, Mr. MacDonald issued a statement to the Press on 21st May in which he said that any guarantee by the British Government of a Loan raised by Russia was out of the question. And during the Election Mr. Ponsonby, who had taken the main part in the Anglo-Soviet negotiations, said in a speech at Sheffield: "At the beginning of the negotiations the Government made every effort to come to an agreement without a British guarantee to a Loan, and I had instructions from the Cabinet to do my utmost to come to such an agreement."

Looking back over the story of this regrettable affair, I am now convinced that it was a mistake when the Conference had broken down to pay heed to the pressure that was brought upon the British Government by the Labour members to reopen the conversations and to make a patched-up and futile agreement which never could have had any practical results, and which only served to give the political opponents of the Labour Government a stick with which to beat them.

I will now go back to the general political situation as it existed at the adjournment of Parliament on 7th August. Though there were difficulties facing the Labour Government in the Autumn Session, they did not then appear to be so serious as to jeopardise the position of the

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Government. Mr. MacDonald had stated in the House of Commons that he would take the unusual course of submitting the Russian Treaty to Parliament for amendment, acceptance or rejection. As this was a new departure, it may be worth while to reproduce that part of Mr. MacDonald's speech which explained the position:

"A signature attached to a Treaty does not carry with it the sanction of the House of Commons. . . .

"I want to sign the Treaty today. If my signature is attached to this Treaty, I shall not be labouring under the foolish delusion that the House of Commons has sanctioned it—of course not—because the House of Commons has not sanctioned it. It is simply the signature that the Treaty in this form was the agreement that emerged from the negotiations, which under these conditions would then be ended. That is all. Now the Government say: 'So much are we aware of that, that we pledge ourselves to produce the Treaty before the House of Commons, and that the Treaty shall lie on the Table of the House of Commons, not twenty-one days, but twenty-one Parliamentary days.' Very well, is not that ample? Surely that is enough. Is not that the usual practice, or, in so far as it is not the usual practice, is it not an evidence that the Government are most anxious that not a clause, not a provision, not a line of this Treaty should become operative until the House of Commons has sanctioned it?

"We shall not put a clause into this suggested Treaty of ours that every word of it, every line of it, every provision of it, every annexe of it, must be taken *en bloc* or rejected altogether. The House can consider it, it can amend it, it can pass it or reject it after all has been done.

"If the Treaty be signed, the House is not committed; the House will be absolutely free with regard to these Treaties to which, I understand, objection is taken when they come before the House. The House is absolutely free, irrespective of what is done today, to use its judgment and discretion regarding this Treaty."

This statement of the Prime Minister has had a significance which at that time was not fully appreciated.

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The statement was in effect a declaration that the Government left the House of Commons free, and the Government would not regard an amendment or a rejection of parts of the Treaty as a censure upon the Government involving its resignation.

CHAPTER LII

The Fall of the Labour Government

DURING the Recess two incidents occurred which changed the political situation, and which seriously damaged the prestige of the Government and threatened to bring its life to an ignominious and untimely end when the Autumn Session began at the end of September. One was a personal matter which I dislike to mention, but it is necessary to do so because of the material which this incident provided for the political opponents of the Labour Government.

On the 12th of September there appeared in the Press under a sensational double-column heading a story that Mr. MacDonald had become the holder of 30,000 shares in the well-known biscuit manufacturing firm of McVitie & Price. This transaction had taken place in the previous March, and until this Press disclosure it had been kept quiet. When this fact leaked out through the newspapers there was a violent Press attack upon Mr. MacDonald, and, if not openly, by innuendo, he was charged with political corruption. While the circumstances when they became known reflected no discredit on Mr. MacDonald, the blundering way in which the transaction was carried through lent itself to the meanest form of personal attack.

The circumstances were these. Mr. Alexander Grant, the head of the firm of McVitie & Price, was an old acquaintance of Mr. MacDonald's family. Mr. Grant, as he was then, had been a very intimate friend of Mr. MacDonald's uncle, and, though opposed to Mr. Mac-

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Donald's politics, he had followed his political career with interest and with warm admiration. When Mr. MacDonald became Prime Minister, Mr. Grant expressed a desire to present him with a Daimler car as a contribution to his personal comfort. Mr. MacDonald at first demurred, but finally agreed to accept the generous offer.

Instead of presenting Mr. MacDonald with the car and providing for its maintenance, he took the unfortunate method of transferring these shares to Mr. MacDonald. The understanding was that the income from these shares would be enjoyed by Mr. MacDonald so long as he kept a car, and at his death the shares would revert to Mr. Grant or his heirs.

But there was another unfortunate incident which political opponents, anxious to damage the Prime Minister's reputation, dragged into prominence. The shares had been transferred to Mr. MacDonald in March, and in the following June Mr. Grant's name appeared in the Honours List as the recipient of a baronetcy. Evil-minded people put the two things together and insinuated that the Prime Minister had recommended a baronetcy for Mr. Grant in consideration of the gift of these shares. It is within my own knowledge that Mr. Grant's name had been on the waiting-list for a baronetcy before Mr. MacDonald became Prime Minister. Taking into consideration the reasons for which public honours are conferred, Mr. Grant had a high claim to such a distinction. He had risen from the position of a poor working-man to the head of a large and prosperous business. He had used his wealth generously in the public interest; he had come to the rescue of the famous Advocates' Library with a large sum of money, and had received the freedom of the City of Edinburgh for his public benefactions.

But the whole transaction of the shares and the motor-car could not have been carried out in a way better

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calculated to excite public suspicion and to give Mr. MacDonald's political opponents a better weapon to attack his personal honour. Things like this are not used so much on the public platform, although there was no lack of this form of attack, but in underhand ways. At the General Election which followed shortly after this exposure, there is no doubt that this was used with damaging effect by canvassers who carried the slander from door to door, and told it with exaggeration and described it as an instance where a Prime Minister had used his position to recommend a baronetcy for pecuniary consideration. Slanders of this sort by canvassers are difficult to combat, and often have a more damaging effect on political opponents than any amount of platform abuse and criticism.

This exposure was a terrible blow to Mr. MacDonald. He is keenly sensitive to adverse criticism and to personal attacks. Indeed, I think I know no man who takes things like this so much to heart. When the exposure appeared in the newspapers Mr. MacDonald was at Lossiemouth, and he was inundated with abusive communications from the "anonymous correspondent". These letters, the Press attacks, and the whole incident completely upset him. When he came back to London for a day or two a fortnight later a few of his colleagues who were in London met him for an informal talk about the political situation and the work of the forthcoming Autumn Session. We saw at once that he was in a highly nervous condition. He was not in a state to take a calm and reasoned view on any subject. Everything seemed black to him. The problems which were facing the Government had assumed a dark and hideous appearance, and he said that he felt unable to face the difficulties ahead. He would welcome a General Election as a way of escape from his troubles.

When we left this gathering every one of my colleagues

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were agreed that he was nerve-racked and in need of a long holiday. That, however, was out of the question as we were within a few days of the meeting of Parliament. When Parliament did meet on the 30th September it was clear to some of us that he had not recovered his nerve, and we feared what might happen when he had to face a merciless Tory Opposition and a Liberal Party by now no means friendly. Our fear, unfortunately, turned out to be fully justified, and ten days after the meeting of Parliament the Government was overthrown and the country plunged into an Election by one of the most ill-considered and tactless decisions in Parliamentary history.

At the end of July, just before Parliament adjourned for the Summer Recess, attention was called to a letter appearing in a Communist newspaper which was alleged to be of a seditious and treasonable character. Little notice was taken of this incident at the time, and nobody imagined that it was going to develop into a first-class political crisis, eventually bringing about the defeat of the Labour Government. Two days before Parliament rose the editor of this paper, a man named Campbell, was arrested on a charge of having written this article, and a charge of sedition was alleged against him.

In answer to a question in the House of Commons on the 6th August (and in view of subsequent developments this is an important date in the story of this incident), the Attorney-General, Sir Patrick Hastings, announced that the editor had been arrested, and that he accepted responsibility for these proceedings.

The Attorney-General afterwards explained that up to the time this question appeared on the paper he had taken little interest in the case and had done nothing beyond giving his legal opinion as to whether the charge of

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sedition could be established on the article in the Communist paper. Before giving a reply to the question he thought it was necessary to inform himself more fully upon two points, first, whether on further reference to the article his former view that it was a breach of the law could be confirmed, and secondly, if there were other facts about Campbell he ought to know. He wanted to get hold of some person who knew Campbell, and as Mr. Maxton was the first member who asked a question on the case the Attorney-General thought that he would be able to give him some information. He sent for Maxton, who told him that Campbell was not the editor of the paper, but was in the position temporarily while the editor was away ill. Maxton told him that he knew Campbell well; that he was a man who had fought through the War from beginning to end, and had been decorated for exceptional gallantry, and had been crippled in both feet. "I thought to myself", said the Attorney-General, "What would I look like suppose this were true as the Attorney-General of England putting into the dock at the Old Bailey as the only dangerous Communist I could find such a person as that!"

The result of the enquiries made by the Attorney-General confirmed the account of Campbell which had been given to him by Mr. Maxton. Taking the man's record into account, together with the fact that he was beginning to have grave doubts whether the prosecution would be successful, the Attorney-General came to the conclusion that the best course would be to withdraw the case.

Before definitely deciding to do so, he and the Director of Public Prosecutions had an interview with the Prime Minister in his room at the House. At this interview the Prime Minister, according to the Attorney-General, strongly expressed the view that the prosecution was

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ill-advised from the beginning, and he put the blame on the Director of Public Prosecutions. The Attorney-General objected to that remark, and said that he could not allow any blame to be put upon the Director as the responsibility was entirely the Attorney-General's. After this interview with the Prime Minister, the Attorney-General stated that he was asked to attend a meeting of the Cabinet, and, without disclosing anything that transpired at this Cabinet meeting, he said that he left the meeting having definitely decided to withdraw the prosecution. These proceedings took place between five and eight o'clock on the evening of 6th August, nearly two months before the Prime Minister gave his inaccurate reply to the question addressed to him by Sir Kingsley Wood!

The case had been put down for hearing at the Police Court for 13th August, and when it was called the Treasury Counsel made a statement, when giving reasons why it was not desired to continue the prosecution, which was open to the construction that political influences had been brought to bear in the case. He said:

"It has been represented that the object and intention of the article in question was not to endeavour to seduce men in the fighting forces from their duty in the regiment or to induce them to disobey lawful orders, but it was a comment upon armed military force being used by the State to repress industrial disputes. . . .

"It has been possible for the Director of Public Prosecutions to accept that alleged intention of this article more easily because the defendant is a man of excellent character with an admirable military record."

I think it cannot be disputed that this explanation of the withdrawal of the prosecution did give grounds for the suspicion that there had been influences at work which were not disclosed. The next day the Communist Party

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issued a statement that they had been anxious that the prosecution should proceed, and that they had arranged that the Prime Minister, Mr. Henderson, Mr. Clynes and others should be subpoenaed as witnesses for the defence.

Sir John Simon was quickly on the war-path, and in a speech in his constituency he referred at length to the case, and intimated that he intended to raise the matter when the House of Commons reassembled. He asked who had made the representations that the article was of an innocent character, and contrasted this with the assertion made by Mr. Campbell and his friends that the prosecution had been withdrawn after severe political pressure had been applied by certain Labour M.P.'s.

When Parliament reassembled after the Summer Recess on the 30th of September, private notice questions were addressed to the Attorney-General asking the reason for the withdrawal of the charge. The interest that was taken in these questions indicated that the Government were in for a warm time. Prominent members were hot on the Attorney-General's track, including Sir John Simon, Sir Robert Horne, Sir Douglas Hogge and Mr. Baldwin. After the Attorney-General's explanation of the reasons for the withdrawal of the charge, Mr. Baldwin intimated that in view of the seriousness of the incident an opportunity must be given to the House to debate it at length. It was arranged that a day should be set apart in the course of the next week for a full day's debate.

That same day (30th September) the Prime Minister replied to a question on the subject, and his reply had very unfortunate consequences. Sir Kingsley Wood asked the Prime Minister "whether any directions were given by him or with his sanction to the Director of Public Prosecutions to withdraw the proceedings against Mr. Campbell, the editor of the *Workers' Weekly*, and whether he received any intimation that he would be

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personally required to give evidence on behalf of the defendant at the hearing? ”

The Prime Minister said:

“I was not consulted with regard to either the institution or the subsequent withdrawal of these proceedings. The first notice of the prosecution which came to me was in the Press. I never advised its withdrawal, but left the whole matter to the discretion of the law officers where that discussion properly rests. I never received any intimation or even hint why I should be asked to give evidence. That also came to my attention when the falsehood appeared in the Press.”

The Prime Minister's reply was clearly at variance with facts which were widely known. A week later, on the day which had been set apart for a debate on this case (8th October), the Prime Minister rose at Question Time to offer an explanation of his inaccurate answer to this question, which, I am afraid, instead of removing the impression his reply had created, made the position still worse, and actually increased the impression of lack of frankness and candour which had been made by his reply. The Prime Minister's explanation was in these words:

“I rise to ask the indulgence of the House, to make an explanation of a word that I wrongly used in replying to a question put to me on the 30th of last month. The hon. Member for West Woolwich (Sir K. Wood) put the question, which ended with these words:

. . . ‘and whether he has received any intimation that he would be personally required to give evidence on behalf of the defendant at the hearing?’

It refers, of course, to the case we are going to debate today. The form and suggestion of the question concentrated the whole of my mind upon myself and upon my own personal and separate part in this affair. I have been accused in certain papers of having known that I was going to be summoned, and with that knowledge, and because of that knowledge, of personally interfering. I have felt that very warmly. It was absolutely untrue. The accusation was one of these things that made one

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feel most resentful, and in concentrating my ideas about a personal reproach, on account of personal reasons, I used an expression which, when my attention was drawn to it two days afterwards, I had to admit was a little further than I ought to have gone, because it implied not merely that I, as a person, was either approached by the Attorney-General, or approached the Attorney-General for personal reasons—a thing I had repudiated hotly—but it also implied that I had no cognisance of what was going on. I am very sorry. I did not mean to imply that. It was simply the concentration of my personal resentment at that gross imputation which made me for a moment forget that officially, and in conjunction with colleagues, the matter was talked about when no personal considerations were in our minds at all. If I have misled any hon. Members, I apologise for having done so.”

This incoherent, evasive and prevaricating reply staggered the House, and made his colleagues who were sitting on the bench hang their heads in shame. This reply brought Mr. Austen Chamberlain and Sir John Simon to their feet, who submitted the Prime Minister to a severe cross-examination, under which he succeeded only in strengthening the suspicions that he was holding something back. The debate was to follow immediately after this cross-examination. The Prime Minister’s lack of candour had seriously prejudiced the position of the Government.

Both the Conservative and the Liberal leaders had put down motions. The Conservative motion was a short and straight vote of censure on the Government. It read as follows:

“That the conduct of His Majesty’s Government in relation to the institution and subsequent withdrawal of criminal proceedings against the editor of *Workers’ Weekly* is deserving of the censure of the House.”

To this the Liberals, in the name of Sir John Simon, had put down an amendment in these words:

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“That a Select Committee be appointed to investigate and report upon the circumstances leading up to the withdrawal of the proceedings recently instituted by the Director of Public Prosecutions against Mr. Campbell.”

The difference between the motion and the amendment will be noted. The Tory motion was a direct vote of censure which assumed that the case against the Government had already been established; while the Liberal amendment did not propose to censure the Government, but to appoint a Committee to investigate and report upon the circumstances.

After the Conservative vote of censure had been moved by Sir Robert Horne, the Attorney-General rose to make his reply. His frank statement created a favourable impression on the House of Commons. But this effect was destroyed by the subsequent speech of Sir John Simon and by the speech of the Prime Minister who followed him. The Opposition were not in the least anxious to put the Attorney-General in the pillory. They were concerned to discredit the Prime Minister and the Labour Government.

The Prime Minister's speech made a bad impression on the House. It was evasive, and strengthened the impression he had made at Question Time that afternoon that he was not being frank and candid. He had a perfectly good case if he had faced up to it fearlessly and honestly. During his speech, John Wheatley, who was sitting next to me, remarked: “I never knew a man who could succeed so well, even if he is telling the truth, in giving the impression that he is not doing so.”

When the Prime Minister sat down the fate of the Government was sealed, and Mr. MacDonald realised this. He had concluded his speech in these words:

“I said on a former occasion that we should take advice from this House in the sense of rejection of the proposals which we

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made, provided that they were not regarded as essential, and provided that the rejection of our proposal or our defeat in the Lobby did not amount to a diminution of that sense of self-respect which every Government must have if it is justified in sitting for five minutes on the Treasury Bench.

"If the House passes the resolution or the amendment, we go. It is the end: it will be the end of what hon. Members on all sides of the House will agree as being a high adventure—the end of a Government which I think has contributed much to the honour of the country, to our social stability, and which, when the country has had an opportunity of passing a verdict upon it, will come again."

Mr. Asquith followed the Prime Minister, and his opening sentences dealing with Mr. MacDonald's peroration deserve to be quoted. He said:

"I do not rise for the purpose of entering into the merits of the controversy which has been carried on during this debate, nor shall I do more than drop a sympathetic and tributary tear on the funeral oration which the Prime Minister has just pronounced. These obsequial tributes are generally reserved, if not until the corpse has been interred, at any rate until the doctor has pronounced that life is extinct. I confess that it is to me, a man of rather keen susceptibilities, a melancholy thing to hear the right hon. gentleman anticipate so comfortably his own early, and indeed almost immediate, decease."

When the division came the Tories did not persist in their motion of a direct vote of censure, but concentrated on the Liberal amendment for the appointment of a Select Committee. The Liberal amendment was carried by a majority of 166 votes. I met Mr. Asquith when we were leaving the House after this decision, and he seemed genuinely distressed. He said that in all his Parliamentary experience he had never known a case where the Government had so wantonly and unnecessarily committed suicide.

Next day the Prime Minister obtained the consent of the King for an immediate General Election.

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This is the story of the end of the first Labour Government. The Government had rejected the motion for an enquiry by a Select Committee into the circumstances leading up to the withdrawal of the Communist prosecution. The reason they assigned was that it would be a reflection on their honour to accept the proposed enquiry. I did not at the time agree with that decision. So far as I knew there was nothing the Government had to conceal. I would have given the Opposition twenty committees if they had asked for them, and this was the view widely held by the reasonable members of the Labour Party, who were shocked that the Government should have accepted defeat on what, after all, was a very trivial incident.

This view of the Government's action was not at the time publicly expressed by the dissatisfied Labour members, who were anxious that the Party should show a united front in the face of a General Election. Another excuse advanced in deciding the Government to take the line it did was that if it surrendered on this motion it was only postponing its downfall for a few days, as it would certainly be defeated on the Russian Treaty, which was to come up for discussion a few days later. There was no force in this reason, as the Prime Minister had already stated that on that question the Government would leave the House of Commons free to take what course it might decide.

The Labour Party entered upon the Election under circumstances which made its defeat a foregone conclusion.

CHAPTER LIII

The Work of the First Labour Government

BEFORE dealing with the General Election which followed upon the defeat of the Labour Government, I must give a brief review of its work and achievements during the nine months it held office.

The Labour Party had been unexpectedly called to office, and for the first few months it was necessarily occupied in the preparation of measures which required long consideration, and at the time of its defeat it had in an advanced state of preparation a number of measures of first-class importance, including schemes for national reconstruction, for the establishment of a system of widows' pensions, and the development of agriculture.

The question of unemployment insurance, and the provision of public works for the alleviation of unemployment, and a Housing Bill, were the first matters to which the Government directed its attention. The first Bill introduced by the new Government was one to abolish what was called the "gap" of three weeks without payment of benefit to insured persons who had drawn benefit for twelve weeks beyond that due in respect of contributions. This was a small measure involving the additional cost of £600,000. The Bill was non-controversial and quickly passed into law without opposition.

Another Unemployment Insurance Bill was introduced and passed a few weeks later, which increased the existing rates of benefit. The rate for men was raised from 15s. a week to 18s., for women from 12s. to 15s., and for each

child from 1s. to 2s. per week. The rate for a wife remained at 5s. a week.

I had the satisfaction of introducing a measure modifying the hardship of the means limit in old age pensions. It had long been felt that taking a person's income derived from savings into account was unjust, and was in fact a discouragement of thrift. My Bill provided for the payment of larger pensions to certain people, and for the payment of pensions to others who had been disqualified from receiving them under the then existing Act, under which the whole of a person's income from whatever source was taken into consideration, and if it amounted to more than 10s. a week he was disqualified from getting the full pension. My Bill provided that an income from any form of savings should be disregarded unless it exceeded £39 a year in the case of a single person, or £78 a year in the case of a married couple.

I had to face the usual Party criticism from the Liberal and Tory Opposition that this was not a full redemption of Party pledges. But their criticism was nullified by the fact that both Parties had been in office over a period of years and had made no attempt to remove the obvious injustice of the thrift disqualification. The Bill was carried. It gave pensions to 225,000 who had hitherto been deprived of them owing to the limitation which our Act removed.

The most important of the measures passed by the Labour Government was Mr. Wheatley's Housing Bill. Mr. Wheatley began the preparation of this Bill immediately on assuming the office of Minister of Health. I was brought closely in touch with him when he was preparing this measure on account of its large financial commitments. My relations with Mr. Wheatley led me to form a very high opinion of his administrative ability. He had been for many years a member of the Glasgow

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City Council, and this experience had taught him that there is a good deal of difference between platform propaganda and practical administration. His Bill, which after a long debate in the House became law, was the greatest contribution which had been made towards the solution of the Housing problem. The shortcomings of previous Housing Acts had been that they catered only for a class of people who could afford to buy their houses. But the real need was to produce houses to let.

Before the introduction of his Bill Mr. Wheatley had had preliminary negotiations with the employers and workmen in the building industry. There was then a shortage of labour for undertaking such an extensive housing scheme as Mr. Wheatley proposed. He conducted his negotiations with a tact which won the admiration of both sides. He obtained a guarantee from the building industry that they would so organise it that they would be able to undertake to build 2,500,000 houses over a period of fifteen years. It was a condition that the houses which received Government subsidies should be let to tenants who intended to reside in them, and that the rents should correspond with the present rents of pre-War working-class houses. The cost of the subsidy was shared between the Exchequer and the local authorities; and at the peak point of the scheme the total subsidy would amount to £34,000,000 a year. When, later, the Conservatives came into office they mutilated Mr. Wheatley's Bill, largely destroying its efficacy. But the bold attempt made by Mr. Wheatley to grapple with the question will always stand to his credit.

A considerable number of other measures of useful if modest character were passed by the Labour Government during its short tenure of office. One was a short Act promoted by the Minister of Agriculture, which provided for the establishment of Agricultural Wages

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Committees in each county or group of counties in England and Wales. A measure for the regulation of the London traffic was also passed which set up an advisory committee for the London and Home Counties.

Just before Parliament adjourned for the Summer Recess I gave a long outline of schemes which the Government had in hand for dealing with the unemployment problem. I was chairman of a Cabinet Committee which had been considering this question. We had spent months preparing schemes and negotiating with public bodies and public utility companies. In dealing with the general problem of unemployment I made certain observations as to its character which ten years of later experience has tragically confirmed. At that time the number of unemployed was just over a million, and of this number about one-half might be regarded as abnormal unemployment due to the depression in three of our staple industries—shipbuilding, engineering, and the cotton trade—which were all dependent upon foreign trade.

It was clear from an analysis of the causes of the depression in these industries that it was in a large measure due to the fact that the price-level of our exports was 90 per cent. higher than before the War, while the price-level of our imports was only 50 per cent. higher. It was also clear from this fact that if we were to maintain and increase our foreign trade we must secure a reduction in the cost of production. The Cabinet had given a good deal of attention to this aspect of the problem, and the Government was prepared when Parliament re-assembled after the Summer Recess to put forward proposals for reducing the costs of production by lessening the excessive costs of transport, which was one of the main items entering into the price of marketable commodities.

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During the six months the Government had been in office over £10,000,000 had been sanctioned under the Export Credit Scheme; a further £10,000,000 had been granted under the Trade Facilities Acts; and the Unemployment Grants Committee had approved schemes to the value of £5,500,000.

The Minister of Agriculture had certain Land Drainage Schemes in hand, and the Treasury had given authority to support a scheme for the drainage of the basin of the Great Ouse. The Government had also sanctioned a further £13,500,000 for roads. A scheme for a tunnel under the Thames had been considerably advanced. A road to the docks was under consideration, and an undertaking had been given to pay the preliminary expenses of an engineering survey in connection with a bridge over the Tay. The Government had also decided to devote funds for the purpose of investigating the problem of the better utilisation of coal.

The most important proposal which the Government would submit to Parliament in the near future was the intensive development of electricity, and the elimination of the great waste resulting from the deplorable disorganisation of the industry. There were 532 electrical generating stations in the country, and the Government proposed to give power to the Electricity Commissioners to co-ordinate these systems. Proposals would be submitted to Parliament for the standardisation of frequencies. This change would facilitate the interchange between one generating station and another, and would greatly cheapen the cost of transmission. The cost of this scheme, it was estimated, would be something like £10,000,000 spread over three years.

The defeat of the Government two months later prevented them from carrying forward these proposals. But the Conservative Government which succeeded the

Labour Government adopted and carried out many of our intentions in regard to the development of electricity in their measure which set up the Electricity Board.

Mr. Lloyd George, who followed me in the debate, claimed that all the schemes that I had put forward had been started by the Coalition Government; and the Labour Government, after months of examination of the problem, had not been able to bring forward any original suggestions.

The nine months' work of the Labour Government had been very strenuous, but very interesting. It was a new experience to most of the members of the Government to have the opportunity of engaging in administrative and legislative work. Though nearly all the members of the Government had had no previous experience of Ministerial responsibility, they had brought to the discharge of their duties a capacity which belied Winston Churchill's comment that Labour was not fit to govern.

One of the most useful members of the Labour Cabinet was Lord Haldane, a man of extraordinary capacity, possessing one of the most powerful intellects I have ever known. Mr. Sidney Webb, who was President of the Board of Trade, was an invaluable member of the Government. His power to quickly grasp the bearings of a problem was exceptional. Unfortunately, he had not an attractive speaking manner, and due to this he failed to make a good impression on the House of Commons. His help in the Cabinet was highly appreciated by his colleagues. I have never known a man with such a facile gift of preparing memoranda and drafting resolutions. He was one of the most modest and least assertive of men, and never pressed his own views against the majority of his colleagues.

It would be invidious for me to single out members of the Labour Government for exceptional praise, but I

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would like to mention one member of the Government—though not a member of the Cabinet—for whom both his Ministerial colleagues and the House of Commons had respect amounting to affection. This was Mr. Harry Gosling, the Minister of Transport. Mr. Gosling had been for many years a leading figure in the London Trade Union movement. He was one of those Trade Union leaders who succeeded in improving the lot of the men they represented, not by a threatening and aggressive policy but by sweet reasonableness. He did good work as Minister of Transport, and his complete knowledge of the London transport problem was useful in preparing and passing into law his London Traffic Bill, which was a moderate measure, but intended by him to be a preliminary to a Bill for the co-ordinating of all the London transport services such as became law ten years later. All who knew Harry Gosling will always retain the recollection of a lovable and charming character.

Before leaving the story of the first Labour Government, I might mention one or two trivial but perhaps interesting matters. Lord Haldane, who had had a long experience in Cabinets, told us at the first meeting how we ought to address each other. It was the practice, he said, to speak of a Minister not by the title of his office but by his surname. I am afraid, however, this practice was not strictly followed either in this first Labour Government or in subsequent Cabinets in which I sat.

Another innovation which the Labour Government introduced was to permit smoking at Cabinet meetings. This was an outrage on all tradition which ought to have brought Mr. Gladstone from his grave. There is a story told that Mr. Gladstone objected so strongly to smoking that he used to protest to Sir William Harcourt, who was an inveterate smoker, against his entering the room “with

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his clothes stinking of foul tobacco". I think, however, that the practice of permitting smoking at the Cabinet meetings on the whole tended to the harmony of the proceedings, and certainly to the satisfaction of the smokers, though perhaps to the inconvenience of the members who shared Mr. Gladstone's aversion from tobacco smoke. If it would not be regarded as a disclosure of an important State secret I may tell that the National Government of 1931, upon learning that the Labour Government had broken the non-smoking tradition, readily followed the precedent!

CHAPTER LIV

The " Red Letter " Election

THE Labour Party entered upon the General Election following upon the defeat of the Government under the heaviest handicap ever carried by a political party. The incident of the Campbell case and the Russian Treaty had caused the electors to forget the record of the Government, and the popularity which it had enjoyed up to September had largely been dissipated by these events. The Election had come unexpectedly, and the Labour Party's organisation was not prepared for it. The Party had fought two General Elections in two years, and this had been a severe strain on the resources of a poor Party.

The dissolution of Parliament took place on the 9th October. In order to avoid clashing with the municipal elections, the General Election was hurried forward and polling took place on the 29th October. At the dissolution the Labour Party had 365 endorsed candidates, including sitting members. With an energy and determination which was marvellous, the headquarters of the Party set to work, and before nomination day, that is in nine days' time, 149 additional Labour candidates were placed in constituencies, bringing the total up to 514, an increase of 87 over the number put forward at the previous General Election. I doubt if any political party ever achieved such a feat as that.

This General Election was the most strenuous I remember. The Tories threw themselves into the contest with a grim determination to turn out the Labour Govern-

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ment. The Liberals, too, mainly concentrated their attack upon the Labour Party, and made the Russian Treaty the principal topic of their platform speeches. Mr. Lloyd George spoke every day in different parts of the country, and denounced the Labour Party and all its works.

Mr. MacDonald, unfortunately, permitted his friends to arrange for him a great motoring tour, which was to extend from Glasgow to South Wales. This involved making speeches at practically every town through which he passed. It was a task beyond human endurance, and one which the strongest man could not carry through without disaster. From the beginning of this campaign, which commenced with a great meeting in Glasgow, it was evident that he was in a highly nervous condition, and this became more marked as his tour proceeded. His speech to the great meeting at Glasgow was broadcast, and it was almost unintelligible to listeners. Early in the campaign, through addressing huge open-air gatherings, his voice gave way. During one part of the tour through the industrial districts of the North-east of England he spoke at twenty-seven meetings in one day. Before the end of the tour he was compelled to abandon a number of meetings. A week after the tour had begun he reached his constituency of Aberavon both physically and mentally tired out and quite unfit for the work in front of him. During the next ten days he would be required to make speeches which would be fully reported throughout the country, where an indiscretion was calculated to have serious consequences.

The campaign of the opponents of the Labour Party was carried on with a malice and unscrupulousness which surpassed the limits of decent political controversy. Mr. MacDonald was always keenly sensitive to criticism, and particularly when it was directed against his personal

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conduct. In such circumstances he was always liable to lose his temper and to say things which afterwards were regretted. On one occasion in the House of Commons, when the Tories were fiercely interrupting him, he turned round and hissed "Swine!" in a voice loud enough to be heard in the Press Gallery.

Speaking at Barry during the Election about the tactics of his opponents, he let drop a sentence which was seized upon by his enemies and used with the most damaging effect. Referring to the misrepresentation to which he was being subjected, he said:

"A party who are on the verge of being beaten and disgraced always tell lies, as they are doing now. . . . Why can't they make a decent intellectual fight of it, lay down their principles, put them against ours, and have an honourable set-to? Why do they slander us? Why, instead of having a great battle on a political principle, do they go about sniffing like mangy dogs on a garbage heap?"

The Press pounced upon these words with avidity. The widely circulated newspapers quoted the sentence in black type. It had a great effect among a class of people who disregarded what his opponents said about him. The Prime Minister had fallen from his pedestal. They felt that he had degraded the high office that he held by such statements. They began to wonder whether, after all, there might not be some truth in what his opponents said about him. Perhaps it did not change many votes, but, more important than that, it changed popular opinion about the man who had used these words.

But within a few days' date of the polling an incident happened which had a profound effect upon the result, and which by the polling day was the main topic of popular interest and platform speeches. On Saturday morning, the 25th October, Mr. Thomas, who had been

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speaking in my constituency the night before, came hammering at my bedroom door early, and shouted: "Get up, you lazy devil! We're bunkered!" He had a copy of that morning's *Daily Mail* which, in flaming cross-page headings, published the notorious Zinovieff letter.¹ We found that this was also the main news feature of all the other morning papers.

This letter came as a great surprise to both Mr. Thomas and myself. Neither of us had heard a hint that such a letter was in existence. We got on the telephone at once to the Prime Minister at Aberavon to enquire what it was all about. He did not seem to be very much concerned about it, and said that he did not know whether it was a fake or it was genuine. But he was making enquiries, and would refer to the matter in a speech.

The whole country was waiting expectantly to hear what Mr. MacDonald had to say about it. It was assumed that if the letter was genuine it would put an end to all further communications with the Soviet Government. The newspapers assumed that the letter was genuine, and its existence must have been known to the Government, or at least to the Prime Minister, all the time they were defending the Russian Treaty.

The evening newspapers came out without reporting any explanation from the Prime Minister. Every hour's delay in an explanation being forthcoming strengthened the public belief that there was something in it which the Government were anxious to hide. I knew of no justification for such an impression, but the country was in a state of panic and ready to accept the interpretation which was placed upon the incident by the Tory Press. The Zinovieff letter, and the Foreign Office Note to the Russian Ambassador upon it, had been supplied to the Press by the Foreign Office itself. But the reply to this

¹ See Appendix I.

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was that the Foreign Office had been in possession of this letter for weeks. They had kept it secret, and had only given it publication when they knew that a newspaper already in possession of either the original letter or a copy was about to publish it.

Mr. MacDonald spoke that Saturday afternoon at Swansea, and made no reference at all to the letter, which was the one thing that was in everybody's mind. His silence was taken as confirmation of all that the Tory newspapers were saying. The Labour candidates who had to address meetings that evening were wholly at a loss what to say. Some of the more venturesome denounced the whole thing as a fraud; while others, more cautious, followed Mr. MacDonald's example and said nothing unless they were questioned upon it by the audience.

The Labour supporters opened their Sunday papers greedily, hoping that the Prime Minister had made an explanation which would dispose of the bombshell. There was nothing in the newspapers, and universal dismay prevailed in the Labour ranks. Monday morning came, and still there was no word from Mr. MacDonald. The Opposition Press for two days had had the field entirely to themselves, and had created a state of public suspicion which it was now too late to remove. The pollings were on Wednesday. On Monday afternoon Mr. MacDonald made a speech at Cardiff in which he dealt at length with the matter. This was reported in the Tuesday morning's papers, the last day of the Election campaign. It was now too late to undo the mischief, even if Mr. MacDonald's explanation had been satisfactory to every open-minded person.

But, unfortunately, his explanation only made matters worse, and increased the suspicion that there was something shady about the whole question. There was some

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justification for Mr. Asquith's description of the Prime Minister's explanation "that he could not remember to have read a more distracted, incoherent and unilluminating statement in the whole of his political experience".

A friend of mine, one of the most prominent Socialists in South Wales, was recently talking to me about this meeting. He was on the platform, and he said that the Prime Minister's manner and his treatment of this question were so tragic and had such an effect upon the meeting that those on the platform fervently prayed that it would open and swallow them up and put an end to the distressing spectacle.

I had better state in chronological order the story of this letter as related by the Prime Minister in this Cardiff speech. The facts as stated by Mr. MacDonald were as follows:

The Government was defeated on the 8th October on the Campbell Case.

This Red Letter did not find its way into the Foreign Office until 10th October.

It was not taken in by the Department until the 14th October.

It was sent to Mr. MacDonald at Manchester on the 15th October. He received it on the 16th October.

On the morning of the 16th he commented that the greatest care would have to be taken in discovering whether the letter were authentic or not. If it were authentic it had to be published, and in the meantime, while investigations were going on to discover the authenticity, the draft letter to the Ambassador would be prepared so that when the authenticity was established no time would be lost in making a protest to the Soviet Government.

This Note from him was received at the Foreign Office on the 17th October.

On the 21st October the draft of the letter to the Russian Ambassador was sent to him for his observations.

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Mr. MacDonald was away at the time, and did not receive it until the 23rd October.

On the morning of the 24th he looked at the draft, altered it, and sent it back in an altered form expecting it to come back to him again with proofs of authenticity.

The copy of the Zinovieff letter and the Note to the Russian Ambassador were sent to the Press by the Foreign Office on the 24th October.

There are a number of comments which may be made upon this statement. Mr. MacDonald first received the copy of the letter on the 16th October, six days after it had first come into the Foreign Office.

The draft of the letter to be sent to the Russian Ambassador was not returned by Mr. MacDonald to the Foreign Office until Friday the 24th October.

It would not be received by the Foreign Office until Saturday, 25th October. That was the day when the letter appeared in the Press.

Mr. MacDonald expected that a final draft would be sent to him for his approval. That would have meant that he would not have received it until Monday, the 27th October.

The Foreign Office had had no reply from Mr. MacDonald to their draft letter of the 21st October to the Russian Ambassador on Friday evening, the 24th.

The officials of the Foreign Office apparently appreciated the seriousness of the matter more than Mr. MacDonald did, for that evening, without waiting any longer for a reply from the Prime Minister, they issued the Zinovieff letter and the letter they had sent to the Russian Ambassador to the Press in order to forestall the publication of the Zinovieff letter next morning, that is 25th October, by the Press.

The amazing thing in these days of telephones and telegrams is that the communications between the Prime

Minister and the Foreign Office were conducted by the slow method of postal correspondence. Knowing something of the conduct of Departmental matters, I am astonished that when Mr. MacDonald first received the letter on the 16th October he did not at once request the official in charge of the matter at the Foreign Office to come down to discuss it with him, or at the least to employ one of the staff of special messengers to expedite matters. He did not in the least seem to realise its importance, or the impression which would be created in the country if the contents of the letter were first made public by the newspapers.

The decision of the Foreign Office to publish the letters should not have been made without first informing Mr. MacDonald of the intention to do so, and of the reason for taking immediate action. The only comment I need make on that is that I doubt if there is any other Government Department where such a thing would be possible.

But however badly the Foreign Office may have blundered by not communicating with the Prime Minister (who it must be remembered was also Foreign Secretary), there could be no doubt that they took the course which with the knowledge in their possession they felt to be the best in the circumstances.

For days before the publication of the letter there had been rumours that such a letter was in existence and would be published before the Election Day. *The Times* Parliamentary correspondent stated on Monday, 27th October, that during the past week it was a matter of common gossip that a message from Zinovieff had been intercepted. And three days before the letter appeared in the Press the London correspondent of the *Manchester Evening Chronicle* wrote more specifically, saying: "There is a report here to which much credence is attached, that before polling

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day comes, a bombshell will burst and it will be connected with Zinovieff ”.

If the Foreign Office officials had done what Mr. MacDonald apparently expected them to do, that is to return the draft letter to him for signature, they would have “missed the boat ”. A copy of the letter, which had been for a month in the possession of the *Daily Mail* (and it was later asserted that a copy was in the hands of the Tory headquarters), would have been published by the newspapers, and there would have been no conclusive answer to the charge that the Foreign Office did not intend to publish it.

Mr. MacDonald in his speech at Cardiff seemed to be proud of the way in which the Zinovieff letter had been handled by himself and the Foreign Office from the time it first came to their knowledge. In this speech he said:

“Rapidity of action, a businesslike way of handling, a determination on the part of the Government to stand no nonsense, if there is any nonsense, is a conspicuous example of the new way in which foreign affairs are being conducted.”

Before the Labour Government left office they appointed a Cabinet Committee to examine the authenticity of the Zinovieff letter, and the conclusions of this Committee were afterwards communicated to the Press. The Cabinet statement read:

“The Committee appointed on the 31st October to examine the authenticity of the Zinovieff letter, after hearing the Department concerned, find it impossible on the evidence before them to come to a positive conclusion on the subject. The original letter has not been produced or seen by any Government Department, and action was taken on what was not claimed to be more than a copy. Unfortunately, in the short time available the Committee find it impossible to obtain the evidence throwing further light upon the matter.”

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When the Conservative Government took office they made further investigations into the matter, and they stated to the House of Commons that they had had further evidence which had convinced them that the letter was genuine. The truth about the matter will probably never be known, but in my opinion it was not of much importance whether the letter was genuine or a forgery. My own view is that the letter was a clever forgery, but its genuineness is immaterial. If it had not been that the Labour Party was associated in the public mind with Russian Communism, the "Red Letter" would have had no effect.

The publication of this letter, and the Prime Minister's mishandling of it, undoubtedly had a considerable effect upon the result of the Election. It was not so much that it alienated votes which otherwise would have been given to Labour candidates. It whipped up a large number of indifferent electors to vote for Conservative candidates. Nearly two million more votes in the aggregate were polled than at the previous General Election twelve months before. The total Labour vote rose to 5,487,620 compared with 4,348,379, an increase of 1,139,241. But this increase in the total vote was accounted for by the fact that the Labour Party ran 87 more candidates than they did at the previous Election. The effect of the "Red Letter" showed itself in the enormous increase in the Tory vote, which rose by 2,265,000 over the 1923 figures. The Labour Party lost 64 seats and gained 22.

The outstanding individual victory of the Labour Party at this Election was the success at Paisley after a long series of attempts to capture this constituency. This involved the defeat of Mr. Asquith, and was followed by his decision to retire from active politics. The Labour

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success at Paisley was due to the exceptional character and ability of the Labour candidate—Mr. Rosslyn Mitchell, a Glasgow lawyer—who, by reason of his great oratorical powers, was known as "the pocket Rosebery".

The Labour Party's Parliamentary strength was reduced from 193 to 152. The most remarkable feature of this Election was the reduction in the Liberal poll and the total number of seats obtained. The Liberal vote was reduced by 1,400,000, and they lost 116 seats, their Parliamentary strength being reduced to the insignificant number of 42. The explanation of this was twofold. They ran 111 fewer candidates; but of the number they did run no less than 311 were defeated. The second explanation of this Liberal disaster was that a large number of electors who ordinarily voted Liberal cast their votes for Conservative candidates in order to make sure that the Labour Government would be overthrown.

The result of the Election caused widespread dissatisfaction in the Labour Party. It was felt that the loss of 64 seats was due to the blundering tactics of the Prime Minister. The feeling against Mr. MacDonald was intense, and the view was widely held and given expression to within the Party that he had made his future leadership of the Party impossible. This feeling, however, gradually subsided as the disappointment wore off.

So far as I was concerned in my contest at Colne Valley, I do not think that the "Red Letter" had the slightest effect on the Election result. Only once during the contest was the matter raised by a question at a meeting. My majority rose from 1921 to 3243. Mr. MacDonald's majority at Aberavon was reduced from 3512 to 1650.

At this Election the Conservatives obtained 411 seats.

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which gave them a majority of more than 200 over all other Parties. The Election thus settled the fate of the Labour Government, which resigned four days later. Mr. Baldwin was sent for to form a Government, which held office for the next four and a half years.

CHAPTER LV

Mr. Churchill as Chancellor

THE most surprising of the Ministerial appointments made by Mr. Baldwin when he constituted his Government in November 1924 was the selection of Mr. Winston Churchill as Chancellor of the Exchequer. What induced Mr. Baldwin to offer Mr. Churchill this important post still remains an inscrutable mystery. Mr. Churchill had been out of the House of Commons for two years, having been defeated at Dundee at the Election of November 1922, when he stood as a Liberal candidate. In the meantime he had been making one of his periodic changes in his political allegiance. He had stood as a Liberal candidate at Leicester in 1923, and later had contested a By-election in Westminster as a Constitutional candidate. At the Election of November 1924 he had been elected as a Constitutional Free Trade candidate for the Epping Division of Essex.

It was said that when Mr. Baldwin sent for Mr. Churchill and offered him the Chancellorship Mr. Churchill had assumed that it was the post of Chancellor of the Duchy of Lancaster, and it only slowly dawned upon Mr. Churchill during the conversation that Mr. Baldwin was offering him the Chancellorship of the Exchequer. This was the second highest post in the Government, and Mr. Churchill could never have expected that, as a new recruit to the Tory Party, he would be offered that post to the exclusion of Sir Robert Horne and Mr. Neville Chamberlain, both of whom had already

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held that office in previous administrations. A further surprising feature of this appointment was the fact that Mr. Churchill was a Free Trader, and, although for the General Election Mr. Baldwin had promised that if he were returned he would not embark upon a scheme of general Protection, he undertook to consider applications for a tariff for particular industries by special Committees. If on examination of these applications the Committees came to the conclusion that a case had been made out for the "safeguarding" of these industries the Government would carry out these recommendations. This procedure was followed by the Government, and during its tenure of office they granted these applications in a small number of cases. Although holding an important office in a Protectionist Government, Mr. Churchill lost no opportunity in speeches in the House of Commons of announcing his Free Trade views and his strong opposition to a general tariff.

At the end of April 1925, Mr. Churchill introduced his first Budget. He had been working, of course, on the estimates of income and expenditure which I had prepared in my Budget of the previous April. In that Budget I had estimated for a surplus of £4,024,000, and the realised surplus was £3,658,884, which was only £365,116 below the estimated surplus. This was the closest approach to strict accuracy in Budget estimating that had been made since the War.

In presenting his first Budget Statement, Mr. Churchill rose to the occasion and spoke for two hours and a half. He estimated that upon the existing basis of taxation he would have a disposable surplus of £26,600,000. This surplus he distributed by reducing the standard rate of Income-Tax by 6d., from 4s. 6d. to 4s. He made reductions in the Super-Tax which would cost £10,000,000 in a

Mr. Churchill as Chancellor

full year, and offset this reduction by an increase in the Estate Duties. He reimposed the McKenna Duties which I had repealed the previous year, but was very anxious to let it be understood that he was reimposing these duties not as Protective measures but purely for revenue purposes. He imposed a new duty on imported silk, but, in order to emphasise the fact that this was not a Protective duty, he put on a countervailing excise duty on artificial silk.

The Budget was memorable for two announcements which were not revenue proposals. The first of these was a return to the Gold Standard, and the second a scheme for the establishment of a system of Widows, Orphans and Contributory Old Age Pensions. The latter was not strictly a Budget proposal at all, but Mr. Churchill could not resist the temptation of personally claiming credit for this scheme. He spent a long time in his Budget Statement in elaborating this measure down to the minutest detail, and then left it to Mr. Neville Chamberlain to take charge of the Bill and to pilot it through the House of Commons. This Widows and Orphans Pensions Scheme was based upon a plan which the Labour Government had prepared, and which they would have introduced that year if they had remained in office.

The announcement of the return to the Gold Standard came as a surprise, for although the policy of the Bank of England and of previous Governments had aimed at this object, the time for taking this important step was generally regarded as not having yet arrived. In view of the controversy on the Gold Standard which is still going on in 1934, it may be well to state what was the attitude of the Labour Party at that time, and the attitude of important persons in the financial world who are now critical of the Gold Standard policy.

On the Second Reading of the Bill for the restoration

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of the Gold Standard, I moved on behalf of the Labour Party an Amendment in these words:

“This House cannot at present assent to the Second Reading of a Bill which by providing for a return to the Gold Standard with undue precipitancy may aggravate the existing grave condition of employment and trade depreciation.”

In moving this Amendment, I explained that I had always been in favour of a return to the Gold Standard, but we did not believe that the present was the time when such a step should be taken, having in view the grave and serious consequences that might ensue. There was a disparity between this country and the United States in the price value converted to a gold basis, the United States price-level being probably from 5 to 10 per cent. lower than the price-level in this country. The Labour Party were of opinion that a return to the Gold Standard ought to have been delayed until the prices on a gold basis had been brought to the same level in the two countries.

Later experience of our return to the Gold Standard tended to confirm the fears which we expressed. It undoubtedly had the effect of injuring our export trade, and the crisis in the mining industry which developed in the following year was rightly attributed to a great extent to this premature step.

Our Amendment was opposed in the House of Commons by financial authorities, who later came round to our point of view and attributed the causes of the severe trade depression which followed to this precipitate step. Mr. Churchill has since excused himself by saying that he did not know much about the problem himself, but he acted upon the advice which was given to him.

It would be tiresome if I were to deal at length with the innumerable encounters between Mr. Churchill and myself in the Budget debates of this year and of succeeding

Mr. Churchill as Chancellor

years. As an Ex-Chancellor it fell to me to lead the Opposition in the Budget debates, and I found Mr. Churchill a foeman worthy of my steel. The debates between us became quite a Parliamentary entertainment. They were regarded as the best show in London. When it was expected that we should both be speaking, the public galleries were invariably crowded. After a time I ceased to take very much interest in these duels, but I was expected to play the Parliamentary game of opposition and to provide entertainment for my supporters.

During those four years we were in Opposition a large part of the burden of sustaining the Labour Opposition fell upon me. In those years my popularity in the Parliamentary Labour Party reached its height. This was shown by the fact that in the annual ballots for the Executive of the Parliamentary Labour Party I was invariably at the top of the poll.

Mr. Churchill, during these years, gradually developed as a Parliamentary debater. He learnt to rely less on careful preparation of his speeches and more upon spontaneous effort. However much one may differ from Mr. Churchill, one is compelled to like him for his finer qualities. There is an attractiveness in everything he does. His high spirits are irrepressible. It was said of a French monarch that no one ever lost a kingdom with so much gaiety. Mr. Churchill was as happy facing a Budget deficit as in distributing a surplus. He is an adventurer, a soldier of fortune. An escapade has an irresistible fascination for him. It is related, with what truth I do not know, that when the Cabinet were waiting for the last stroke of twelve which brought Great Britain into the War, he alone of all his colleagues was full of a fever of excitement. When the last stroke came, he is reported to have said: "Now we are in it!" The War to him was a great adventure.

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Mr. Churchill is a hard hitter in debate, but he is not unfair. He keeps his temper admirably, even under severe provocation. He has the Churchill spirit of the fighter. I have said many hard things to him and about him, but I am sure he has never borne the slightest malice or ill-will. "The purpose of our debates is to attack our political opponents," he said to me once, "and the harder we hit the better we are doing the job."

One cannot help liking a fellow you have hit or who has hit you in a fair fight, and that is, I am sure, how Mr. Churchill regards political controversy. It was in that spirit that we both conducted our Parliamentary fights.

CHAPTER LVI

The General Strike

IN the Spring of 1926 an unprecedented event took place in the industrial history of Great Britain. This is not the place to attempt a history of the General Strike. Volumes have been written on this unfortunate episode, and all that I can attempt here is to give very briefly the impression of an interested outsider.

For years, as I have described in the previous volume, there had been an active section of the Trade Union Movement which had been advocating the General Strike as a method by which industrial warfare should be carried on.

In May 1926 this policy was put to the test, and the experiment provided lessons of the greatest value to Trade Unionism and to the community generally. The General Strike was the culmination of a long series of closely connected incidents. For some reason the mining industry has always been the storm-centre of industrial trouble. I remember Mr. Baldwin saying once that he never entered a conference of mine-owners and miners' leaders without sensing an atmosphere of irreconcilable differences.

It is not for me to attempt to apportion blame between the two parties; probably upon impartial investigation a measure of blame must be apportioned to each side. In the years immediately preceding the General Strike the fact cannot be disputed that the miners were very badly led. A serious crisis in the industry was only averted in July 1925 by the offer of the Government to grant a subsidy to the mine-owners which cost the taxpayers about

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£25,000,000. At the same time it was decided to set up a Royal Commission to enquire into the state of the mining industry. The Report of this Commission was made in March 1926, and during the month of April the recommendations of this Report were considered by the Government and by joint committees of the owners and the miners.

The main matters in dispute centred upon hours and wages, and incidentally whether working conditions and wages should be regulated by district settlements or on a national basis. These negotiations failed to reach an agreement. On the 30th April the subsidy came to an end. The whole of that day was spent in hectic conferences between Cabinet Ministers, owners, miners, and the Industrial Committee of the Trade Union Congress. In anticipation that all efforts to arrive at a settlement would be futile, the mine-owners had issued lock-out notices if the miners would not accept a longer working day and a reduction of wages. It was not until literally the eleventh hour that the hope of averting a stoppage of work was abandoned, for it was at 11.15 p.m. that it was announced that the conversations between Mr. Baldwin and the Trade Union Council had finally broken down.

When it became clear that the owners and the miners would not come to an agreement, the Industrial Committee of the Trade Union Council took the matter in hand. The reasons why the Trade Union Council intervened were that they were not satisfied with the way in which the miners were carrying on the negotiations, and there was a fear that if the miners were compelled to accept the drastic terms of the owners that would be an encouragement to employers in other industries to make a concerted attack upon the standard of hours and wages. The intervention of the Trade Union Council came too late. The mine-owners had that day presented their final terms,

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which they were determined to enforce by a national lock-out of miners.

The Trade Union Congress had contemplated the possibility of a break-down of negotiations and the lock-out of the miners, and they had called a meeting of the Trade Union Executives for the next day (1st May) to consider whether the whole Trade Union Movement should give support to the resistance of the miners to the owners' demands. It was at this meeting that the decision was taken by an almost unanimous vote to call the General Strike for the following Monday midnight. I was not present at this meeting, but Mr. MacDonald, as Chairman of the Parliamentary Labour Party, attended and took part in the discussions. A feeling of suspicion that the Government were siding with the mine-owners and against the men was no doubt chiefly responsible for the decision which was taken at this meeting.

That same evening a manifesto was issued by the Trade Union Council which laid on the Government the responsibility for the crisis which had arisen. When Mr. Baldwin learnt from this public announcement that the Trade Union Council had taken charge of the situation he invited the Council to meet him at 8 o'clock that night, and after five hours of talk no compromise was reached.

In the meantime the Government had taken steps to meet the impending General Strike. They issued a Royal Proclamation that a state of emergency had arisen, and they put in force the powers of the Emergency Act which gave the Government full authority to control food supplies, to commandeer all forms of transport, and to take necessary measures to preserve order.

The next day was Sunday, the 2nd May, which according to custom was devoted to Labour demonstrations. I had arranged to go down to my constituency for such a demonstration, but in view of the critical situation I

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remained in London and joined in conference with Mr. MacDonald and Mr. Thomas. They were both deeply concerned about the prospects of a general stoppage of work, and neither of them had the least hope that it would be successful in its object in bringing pressure to bear upon the Government and the mine-owners. While the three of us were together, Mr. Thomas received a message which had been conveyed to the Trade Union Negotiating Committee to meet the Prime Minister that evening at Downing Street. Mr. Thomas left for this meeting, hoping that at the last minute the conflict might be averted. At this meeting with the Prime Minister, Lord Birkenhead suggested a formula which the Trade Union Council might be able to accept as a basis for negotiations. This formula read:

“We, the Trade Union Council, would urge the miners to authorise us to enter upon discussion with the understanding that they and we accept the Report as a basis of settlement, and we approach it with the knowledge that it may involve some reduction in wages.”

The Trade Union Council had no powers to accept this formula in the name of the miners, but they left Downing Street to consult the miners' leaders. Mr. Thomas sent up word to Mr. MacDonald and myself that he felt that they were within an ace of a final settlement. The Trade Union Council had some difficulty in getting into touch with the miners' leaders, who had dispersed to their various districts.

In the meantime an incredible thing happened. It appeared that after the Trade Union Council had left Mr. Baldwin to consult with the miners' leaders a full Cabinet Meeting took place, and the majority of the members of the Cabinet were against conducting any further negotiations with the Trade Union Council. The reason for this attitude was stated to be that it was a wrong thing

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and a humiliation to a Government to continue peace talks under a threat of a General Strike. After this Cabinet Meeting, at 1 o'clock next morning an announcement was issued from Downing Street that negotiations had been broken off. The reason afterwards given by the Government for this abrupt action was that it had come to the Government's knowledge that specific instructions for the General Strike had already been sent out, and the strike had already begun by the action of employees of the *Daily Mail* in preventing the publication of the paper because they objected to a leading article on the situation.

It was quite clear that the Government had decided to allow the General Strike to proceed, for when the Trade Union Council returned to Downing Street with the Birkenhead formula they could not get in touch with the Premier. The decision of the Government had already been taken. It is impossible to believe that the action of the employees of the *Daily Mail* had been the reason for the Government breaking off negotiations. Mr. Baldwin had been overruled by the majority of his Cabinet. He, himself, would have been willing to continue the negotiations, but he had the majority of his Cabinet against him, who threatened that if he yielded to the Trade Union Council they would adopt direct action and go on strike.

The Trade Union Council were extremely anxious that a strike should be averted, and, as Mr. Thomas put it later, they would have been willing to "grovel for peace". But the majority of the Cabinet were determined to teach the Trade Unions a lesson. Had Mr. Baldwin been prepared to pursue the negotiations, it is very probable that a peaceful settlement at the last moment would have been reached and the disastrous strike averted.

The next day there was a debate in the House of Commons in which Mr. Baldwin, who was evidently suffering from the strain of the last few days, said the

simple issue was whether the Government would capitulate to a General Strike which threatened the basis of ordered government. Mr. J. H. Thomas, who to my knowledge had done all he could to avert the strike, did not attempt to defend it, but with a good deal of justice put the blame upon the mine-owners and the Government, and asserted that if the Government had brought pressure to bear upon the mine-owners to withdraw the lock-out notices pending the further negotiations, the Trade Union Council would also have withdrawn the General Strike notices. He denied there was any other motive in calling a General Strike than to express sympathy with the miners. The outcome of this debate made it inevitable that the General Strike would take place as arranged at midnight that day. The Government had definitely made up their minds that the strike should be a contest of power between the Government and the Trade Unions.

I need not describe the nine days during which the strike continued. Success for the Trade Unions was hopeless from the first day. Although there was a considerable response to the call to "Stop Work", there was little or no enthusiasm for the strike among the Trade Unionists. Most of the Trade Union leaders had been keenly opposed to it from the beginning. The great mass of workers who were not Trade Unionists had no sympathy with the strike, though there was among all classes a good deal of sympathy with the miners. If the Trade Unionists had fully realised the forces that would be ranged against them they would never have embarked upon the strike. The Trade Union Council had made a serious mistake in making arrangements for the General Strike while the negotiations with the Government were still going on; and when these negotiations collapsed it was difficult for them to withdraw from the ill-considered position they had taken up. As events

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proved, it would have been better at this stage, even at the cost of some humiliation, to have withdrawn from a course of action which was certain to result in a still further humiliation after inflicting great inconvenience.

During the nine days of the strike the Parliamentary Executive of the Labour Party met every day to consider the situation, and to be ready to use any influence they might have to bring the dispute to an end under conditions which would save the Trade Union Council from abject surrender. Our efforts were not altogether without avail. But the Trade Union Council had got themselves into such a hopeless position that it was impossible to bring the dispute to an end on terms which were not a confession of the failure and futility of the strike.

On the day before the final collapse a decision was given in the Courts that the strike was illegal, and that it had exposed the Trade Unions which had taken part in it to the forfeiture of their funds. This legal decision finally decided the Trade Union Council to bring the strike to an end, and next day they sought an interview with Mr. Baldwin and announced that from that day the General Strike would be terminated, in the hope that negotiations might be reopened. Other reasons than the judgment of the Court that the strike was illegal, no doubt, influenced the Trade Union Council in taking this step. It had become evident that a large number of strikers were beginning to stream back to work, and there was a fear that it would soon come to an inglorious end.

During the nine days of the strike I remained silent. From one point of view I was not sorry that this experiment had been tried. The Trade Unions needed a lesson of the futility and foolishness of such a trial of strength. A general strike could in no circumstances be successful. A general strike is an attempt to hold up the community,

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and against such an attempt the community will mobilise all its resources. There is no country in the world which has proportionately such a large middle-class population as Great Britain. They, with the help of governmental organisation, with a million motor-cars at their service, could defeat any strike on a large scale which threatened the vital services.

This General Strike had no revolutionary purpose. It did not seek in the least to overthrow the Government. It was a demonstration of sympathy with the miners, and the only purpose it sought to serve was to bring pressure to bear upon the Government to do justice to that deserving body of workers. Leaving aside the question of the wisdom of the strike, this at least must be conceded, that it was a magnificent demonstration on the part of millions of workers of sympathy with a section of their brethren.

The lesson of this strike was learnt by the Trade Union leaders. Since then there has been no repetition of such a hopeless adventure, nor is it likely that there will be so long as the memory of this unfortunate experience survives.

Looking back over the history of this strike, one is impressed by the incapacity and folly of the Government and the Trade Union leaders. I had the privilege of reading the voluminous minutes of all the conferences which took place between the two parties prior to the strike. I was impressed by the evidence which these documents showed of the utter lack of a grasp of the situation by both sides. They never came to grips with the problem. Every conference began with a repetition of the respective attitudes of the two parties, and ended in the same way. It was not till Lord Birkenhead came on the scene that the issues were focused in a definite proposal. No one could read these documents without feeling a great admiration for the acumen of Lord Birken-

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head and his capacity for getting to the root of a problem. If his advice had been accepted by the Government, as it was by the Trade Union Council, no strike would have taken place. But in the later stages of the negotiations it was quite clear that the Government had made up their minds that matters should not be settled by negotiations, but must be fought out by an endurance of strength. I may add that after the collapse of the strike further negotiations were abortive, and the miners were locked out for six months, and finally had to surrender to the demands of the mine-owners under the pressure of starvation.

CHAPTER LVII

The Aftermath of the Strike

THE General Strike of 1926 provided the Government with its main legislative proposal of the Session of 1927. They introduced a Bill in the House of Commons in April of that year, the main purpose of which was to take away or to limit the rights of the Trade Unions in industrial disputes which they had enjoyed for more than fifty years. This measure was a deliberate provocation to the Trade Unions, and it was clearly intended to cripple them in resisting attacks upon their standard of living. Malice against the Trade Unions was exposed in every clause of the Bill.

The introduction of such a measure at that time was a particularly disgraceful proceeding. The Trade Unions had learnt the lesson of the General Strike, and there was no likelihood that that unfortunate policy would be revived. It was a mean thing to strike at the Unions at such a time. Industrially they were weak as a result of recent industrial disputes. Their funds were exhausted, and their membership was disorganised. But beyond this the introduction of such a measure was calculated to set back a movement which was gaining strength among the Trade Unionists for the adoption of methods of co-operation and peace in industry to supersede the doubtful method of the strike.

Nothing could do more to turn the Trade Unions from this new policy than the introduction of such a Bill, which was animated in every clause by a determination

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to reduce the Trade Unions to impotency. The Bill not only proposed to render a general strike illegal, but it contained provisions in regard to intimidation and picketing which were quite unnecessary, because they were sufficiently covered by the existing law. The section of the Bill dealing with picketing and intimidation provided that it would be unlawful for pickets in any trade dispute to attend near the works or the workers' houses for purposes of persuasion in such numbers as were calculated to intimidate any person, and the definition of intimidation was "to cause apprehension of any sort of injury, or to expose to hatred, ridicule or contempt"!

Members of the Civil Service were to be prohibited from being members of a Trade Union unless the union was entirely independent of any other union or federation which included persons who were not Civil Servants. The Civil Servants' Unions were to be prohibited from having any political objects, and to be forbidden to associate directly or indirectly with any political party or organisation.

The section dealing with illegal strikes laid it down that it would be illegal to strike for some object other than the furtherance of a trade dispute in the strikers' own industry, and if its object was to coerce or intimidate the Government or the public. This provision made the "sympathetic strike" illegal. The sympathetic strike is a strike by workers in one industry in support of the workers of another industry where a trade dispute is taking place. This proposal took away a very valuable weapon which had been given to them by the Trade Disputes Act of 1906.

This vindictive Bill met with the strongest opposition from the Trade Union Movement. I have seldom seen the Trade Union Movement so roused as it was by this measure. Hundreds of packed protest demonstrations

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were held throughout the country. The Parliamentary Labour Party met this Bill with a relentless opposition. The Attorney-General, Sir Douglas Hogge (now Lord Hailsham) was in charge of the measure, and his conduct of it certainly did not enhance his legal reputation. Time after time he had to withdraw clauses of the Bill because of the absurd drafting and to replace them by revised clauses. Sir Douglas Hogge had only recently entered Parliament, and he was under the impression that the methods of an Old Bailey attorney were suitable for the debates in the House of Commons.

The Government gave four days for the Second Reading debate. Before the end of three days everything had been said, even upon such an important and controversial measure as this. The debate was flagging, when the intervention of Sir John Simon in support of the Bill revived interest and passion. On the last day of the debate it had been arranged that Mr. Vernon Hartshorn should open the discussion for the Labour Party. I was sitting beside him, and I noticed during Question Time he appeared to be suffering from extreme nervousness. This was surprising, because there was no member of the Labour Party who could speak on Trade Union matters with such authority and experience as Mr. Hartshorn. This was a subject upon which I expected he would make a devastating attack upon the Bill, drawing from his own exceptional knowledge of Trade Unionism. It had been suggested that I should take part in the debate that day if it seemed desirable that I should intervene. This was not my subject. I knew little about Trade Union law and perhaps less about Trade Union practice.

When I noticed Mr. Hartshorn's nervous condition I asked him if he would prefer to wait until later in the debate, and I would take his place and make the opening

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speech. He welcomed the suggestion, and I rose to try to discharge my task for which I did not feel to be at all competent. Then one of those strange experiences happened to me which come occasionally, I suppose, to every public speaker. I cannot attempt to explain this, but the moment I got on my feet I felt inspired by an influence outside myself. I looked at the Liberal benches and saw Sir John Simon, who had made a speech in support of the Bill the previous day, sitting there with a look of self-satisfaction. The sight of him gave me my cue. I had begun my speech by saying that by temperament I was ill-disposed to provocative language and strong invective, but this Bill was a temptation to indulge in both, and I might find it difficult to resist that temptation. So that happened. I turned on Sir John Simon and smote him with a ferocity which surpassed all my previous excursions into the sphere of "vitriolic rhetoric". I had better let a Liberal colleague and follower of Sir John Simon describe the incident—Mr. Hore-Belisha. He wrote an impression of my speech in the Press next day in which he said:

"I have rarely heard anything quite so forceful and quite so bitter as this speech. Sir John Simon was accused of wilful misrepresentation, of tight-rope walking, of quibbling, of base electioneering, of being—and this was 'the most unkindest cut of all'—the author of the Bill. The member for Spen Valley sat there in misery and horror while the lava from the volcano descended. Then he rose, shook his fist as it were, but the torrent of scorching satire fell more and more thickly upon him. . . ."

My speech was not confined to an attack upon Sir John Simon. I dealt with the Bill clause by clause, and exposed its malice and, withal, its absurdity. Interjections, of which there were many, served to bring an effective retort on the heads of the interrupters. I was in a state

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of mental alertness, when new points and new arguments crowded my brain. I concluded on a serious note. I said:

"The Bill has been introduced to foment class strife and to arouse the defiance of the unions. Mr. Baldwin spoke yesterday about the supremacy of the minority movement in some of the trade unions. This Bill is the greatest godsend to the minority movement and to Communists alike. There is only one way of escaping from strikes. My hon. friends behind me know that I have never been an advocate of strikes. In all my public life I have advocated the setting up of machinery by which industrial differences might be settled without the dislocation of industry. That is my position today, and that is why I deplore this Bill. Its introduction has made the position of men like myself extremely difficult, if not impossible.

"How can we go on the platform now and appeal to our friends for a better spirit? They have the reply in this Bill. 'There is only one way,' I repeated, 'of preventing a general strike or any other strike, and that is the setting up of machinery by which industrial disputes can be settled by reason and not by force, and I would to God that this Government, instead of throwing their apple of discord into the industrial arena, had asked Parliament to concentrate its attention upon trying to promote such legislation. . . .'"

My speech was received by the Labour Party with unbounded enthusiasm, and when I sat down a number of Labour members transgressed Parliamentary rules by loudly clapping their hands. Mr. Lloyd George passed down a note, which said: "I have heard all your great Parliamentary speeches, but this is the greatest of them all."

CHAPTER LVIII

Some Unconnected Incidents

MR. THOMAS is an extremely popular after-dinner orator. His wit and irresponsibility and his inexhaustible fund of anecdotes never fail to provide amusement and enjoyment for his audience. But most of all they enjoy his sallies at his political colleagues. When Mr. Thomas wants to "take a rise out of" his friends who are present at a dinner he usually manages to get himself placed at the end of the toast-list so that they will have no opportunity of paying him back in his own coin. However, on one occasion I did, for the time being, manage to get the better of Mr. Thomas. We were fellow-guests at a luncheon at which Sir Herbert Samuel was also present. Thomas had followed Samuel and had been jocular at his expense. I had to follow Thomas, so I thought this was a rare opportunity for treating Thomas to a little of his own bantering humour. I said:

"While Mr. Thomas has been speaking and making his jests at the expense of Sir Herbert Samuel, I have been making a series of calculations which I will give to this gathering.

"I have calculated that Mr. Thomas spends three whole weeks each year attending Labour conferences, and 150 days in attending luncheons and dinners of various societies.

"I have arrived at the conclusion that at these luncheons and dinners Mr. Thomas smokes 320 cigars. I have not calculated in this the number of cigars he takes away in his pocket. I calculate, too, that at these luncheons and dinners he consumes nine gallons of champagne, and that his laundry bill for starched shirts amounts to £18 a year.

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"I am sorry to have to refer to his consumption of champagne, for I had hopes at one time that I had broken that vicious habit.

"A year or two ago I was addressing a temperance meeting in the City Temple, and after I had been speaking for a few minutes my eyes fell on my right hon. friend in one of the front pews. His wife was with him, and she had evidently induced her husband to come to this temperance meeting in the hope that it might have some influence upon him.

"When my eyes fell upon Mr. Thomas for a moment I lost the thread of my argument. Then I said to myself, 'The Lord hath delivered him into my hands!' and the rest of my speech I devoted to relating horrifying stories about men who had fallen from their pedestals by a too injudicious drinking of the cup that cheers and inebriates. I said to myself, 'Here is a brand I have to pluck from the burning!'

"I could see that my remarks were making an impression upon him, and I expected every moment that he would rise in the pew and shout: 'Nay, I yield! I yield! I can hold out no more!'

"I understand that he went straight from that meeting and signed the temperance pledge, which he kept—until his next public dinner!"

A report of these frivolous remarks at this luncheon somehow got into the newspapers, and they caused Mr. Thomas great embarrassment. It seemed at first as though they would prevent his re-election for Derby. Brotherhood meetings with no sense of humour passed resolutions and sent them to Mr. Thomas imploring him to amend his ways.

But Mr. Thomas in the end got the best of this little encounter. One of the newspapers invited him to write an article replying to my observations. This article was in Mr. Thomas's characteristic style. He said that it was my markedly ascetic habits which robbed him of the chance of having a dig at me. My sole vice, so far as Mr. Thomas's spies had been able to discover, was the consumption of vast quantities of Turkish cigarettes—all indubitably from the most chic harem in Stamboul—to

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which aristocratic form of debauchery I added the infinitely more plebeian one of filling myself with "ginger-pop". "When one contemplates the mighty, rushing rivers of statistics which he poured forth while puffed up with this horrible drink, one might well ask what in Heaven's name would he do with the National Debt on a glass of champagne!"

I have no doubt that this newspaper paid Mr. Thomas well for his contribution. It certainly was worth sufficient to provide Mr. Thomas with a new dress-suit, and to pay his laundry for the next twelve months.

I have said elsewhere that of the thousands of speeches I have heard in the House of Commons very few have made a lasting impression upon me.

One well-remembered speech was made by Mr. Baldwin, then Prime Minister, on the 6th March 1925. The occasion was the discussion of a Private Member's Bill dealing with the political funds of the Trade Unions. Mr. Baldwin, while not opposing the object of this Measure, strongly deprecated raising this controversial issue when at that time it was most important that nothing should be done to create the suspicion that Parliament was attacking the Trade Union movement. "The Government were anxious to create a new atmosphere, a new atmosphere in a new Parliament for a new age in which people could come together. It may be said that we have abandoned our principles, but we believe we know what at this moment the country wants. We stand for peace, we stand for the removal of suspicion in the country, and we believe it is for us in our strength to do what no other Party can do at this moment, and to say that at any rate we stand for peace!" He concluded his speech with these words: "Although I know that there are those who work for different ends from most

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of us in this House, yet there are many in all ranks and in all Parties who will re-echo my prayer, ' Give peace in our time, O Lord.' ”

It was significant that the greatest volume of cheers which followed the conclusion of Mr. Baldwin's speech came not from his own Party but from the Labour benches.

I hardly remember a speech which made at the time it was delivered such a deep impression upon the House of Commons. It was a revelation of the real Stanley Baldwin. It showed a sympathy with the poor, and intense desire to promote co-operation between capital and labour. No one could doubt his sincerity and his good intentions. The speech revealed the deep-seated and fundamental differences between the sane and sober Conservatism of Mr. Baldwin and the old Toryism of the great body of his Party. It was a speech which will always be remembered by those who had the privilege of hearing it.

In November 1925 the Town Council of Keighley, upon which body I had sat twenty-five years before, by a unanimous vote decided to ask me to accept the honour of the Freedom of the Borough. This was an honour I very highly appreciated, coming as it did from my own folks, and from men who were largely in disagreement with my political views.

A short time after this incident the University of Leeds conferred upon me the Honorary Degree of Doctor of Laws, and this was followed a little later by the offer from the Leeds City Council of the honour of the Freedom of the City. As in the case of the Freedom of Keighley, I appreciated these honours because they, too, came from my fellow-Yorkshiremen.

Another pleasing incident of a similar kind was the

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conferment of the Honorary Degree of Doctor of Laws by the Bristol University. The circumstances of this honour are specially interesting. Mr. Churchill had been elected Chancellor of Bristol University, and I understand that it is the custom when a Chancellor of a University is elected to give him the privilege of offering honorary degrees to a few persons of his own choice. At that time Mr. Winston Churchill and myself were actively engaged in our Parliamentary fights, and it was an act of good sportsmanship on the part of Mr. Churchill to select me as one of the recipients of the favours he had to bestow.

A little while later the University of Manchester conferred upon me a similar degree.

In 1925 a Parliamentary incident occurred which provided the Press with the opportunity of imagining that negotiations were going on for an *entente* between the Liberals and the Labour Party. I had made a speech in moving an Amendment to the King's Speech in which I made a reference to Mr. Lloyd George's Land Scheme; and said that I preferred his scheme to the Tory agricultural policy. This bald reference was interpreted by Mr. Neville Chamberlain, who followed in the debate, as "giving the glad eye" to Mr. Lloyd George. Mr. Lloyd George had remarked in the debate that the fundamental differences between Liberal and Labour were not very great—there was no deep or wide chasm, and they ought to put their heads together.

Further support to the suspicion that some intrigue was going on between Mr. Lloyd George and myself was given by the fact that after he had spoken he walked up the floor of the House to the Treasury Bench, and in full view of all the House of Commons sat down beside me, and we engaged in animated conversation for ten

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minutes. Socialists looked down on the unwonted occupation of their front bench with undisguised curiosity; Conservatives drowned the words of a Conservative speaker in a keen canvassing of possibilities mixed with laughter. Mr. Baldwin entered, took his seat, and contemplated Mr. Lloyd George sitting beside me without any appearance of surprise. The whole incident provided the Press with the opportunity for sensational headlines; but it was a case of "much ado about nothing".

CHAPTER LIX

I Leave the I.L.P.

At the end of 1927 I resigned from the Independent Labour Party. My reasons for taking this step are explained in the following letter which I addressed to the Secretary of the Party on the 28th December 1927:

"MY DEAR JOHNSON,

"My subscription as a member of the I.L.P. expires at the end of this year, and I am writing to you to say that I do not intend to renew it.

"It is a matter of the deepest regret to me to feel it necessary to sever my connection with an organisation of which I have been a member continuously for 34 years, and to which I have given the best years of my political life.

"I have not taken this decision hurriedly. For several years the conviction has been growing upon me that the I.L.P. as a separate body has served its purpose, and that its continued existence is neither necessary nor useful.

"The Labour Party, since it permitted individual membership and adopted a definite Socialist basis, adequately fulfils all the purposes for which the I.L.P. originally existed.

"The I.L.P. now unnecessarily duplicates the work of the Labour Party, and in doing so wastes money and effort which could be more usefully employed in the local Labour parties.

"The old I.L.P., by creating the Labour Party, has made a far greater and more powerful instrument for establishing the Socialist State than it could ever hope to be, and it might well be content now to merge itself in the larger life.

"I shall always cherish with affection the memories of my long years of association with the I.L.P. and with men like Hardie, Glasier and Benson. The joyful comradeship of the thousands of men and women of the I.L.P. who in the old days 'saw visions

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and dreamed dreams' which are now becoming realities through their work can never be forgotten.

"To you, personally, I would like to express my sincere respect and gratitude. I think I have had a longer official association with you than any other man now living, and I can testify that no organisation ever had a more devoted, capable and sincere servant.

"Believe me to remain, yours sincerely,

PHILIP SNOWDEN."

I do not think I can add much to what I said in this letter. The pain of leaving an organisation which had been so much to me during my political life was moderated by the fact that in recent years I had taken no part in the work of the I.L.P., not only for the reasons stated in this letter, but because I was not in sympathy with the policy of the Party, which was drifting more and more away from the traditional policy of the I.L.P. of evolutionary Socialism into revolutionary Socialism. This change in the I.L.P. policy has resulted, as I expected, in destroying the usefulness of the organisation, and now (1934) it has practically ceased to exist. The I.L.P. might have continued to serve a useful purpose if its activities had been confined to the propaganda of a reasonable Socialism, leaving the Labour Party to take charge of political work.

My resignation was received by the leaders of the I.L.P. in a very good spirit. My reasons for leaving the Party were appreciated. They had realised for some years that I was out of sympathy with them, and that it was better for all sides that the separation should come. The official organ of the I.L.P., *The New Leader*, writing upon my resignation, said:

"Philip Snowden's resignation from the I.L.P. after 34 years' continuous membership will be regretted by thousands of Socialists throughout the country. New members coming into the I.L.P. will not understand this. They have only known him

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during recent years when his mind was obviously turned away from the I.L.P. But to the older generation his defection will mean the end of an epoch.

"We cannot let Philip Snowden pass from our ranks without an appreciation of what he has done for Socialism, or without expressing the sense of joy that the I.L.P. has known in the high adventure it has shared with him.

"These things, alas, belong to the past, but their memory endures."

Mr. J. Maxton, who at that time was Chairman of the I.L.P., in writing upon the topic made a confession which put upon me a great responsibility of which I had not been aware until that time. He said: "I want to say in as public a way as I can that while I have recognised this step as inevitable on Snowden's part for some time, it is going to cause me great personal regret. It was after hearing a speech by Snowden that I finally made up my mind that it was my duty to join the I.L.P. and play my part in this work."

I hope my responsibility for Mr. Maxton's adhesion to the I.L.P. does not extend to all his actions since I converted him to Socialism!

CHAPTER LX

Mr. Churchill Miscalculates

AN incident occurred in the last weeks of this Parliament in which I was unwittingly the central figure. The life of this Parliament was ebbing to its close, and the Government had announced that a General Election would be held during the month of May. Parliamentary business was being hurried forward. There was not much interest in it. The thoughts of Members of Parliament were not in the House of Commons, but in their constituencies. It was necessary to get the Budget through before Parliament was dissolved, and by general agreement the debates upon it were curtailed.

I was making an ordinary speech in criticism of Mr. Churchill's four years' record as Chancellor of the Exchequer, when I made a reference to the Debt Agreements he had recently concluded with France and Italy. I denounced these agreements as being unduly generous to our debtors and grossly unfair to the British tax-payers. Under the Agreement with France her debt to us had been reduced by 62 per cent., and in the case of Italy by 86 per cent. This meant that the British tax-payers were left to bear the burden of this remission, as the debts contracted by France and Italy were a part of our own War Debt. I went on to point out that in the case of France this remission had been made to a country which by the devaluation of the franc had repudiated four-fifths of her national debt, and that many British people who had taken up the French loans issued in London during

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the War had been practically ruined by France's "bilking" her national obligations. France at that time was the most prosperous country in Europe. Industry was flourishing, and there was no unemployment.

I mentioned that the Labour Party had always been in favour of an all-round cancellation of Reparations and War Debts, but until creditor countries had the sense to see that this would be the best policy for everybody we should insist upon Great Britain being fairly treated, and we were not willing that she should alone make undue sacrifices. I then made an observation which was the cause of the row that followed. I said that we had never subscribed to that part of the Balfour Note which laid down that until there was an all-round cancellation of Debts and Reparations we would not take from our debtors more than was sufficient to pay our debt to America. The Labour Party would hold itself open, if circumstances arose, to repudiate that condition of the Balfour Note.

Mr. Churchill immediately seized upon this statement. He said it was a very serious expression, because that principle of the Balfour Note had been embodied in the Agreements he had made with France and Italy. I replied that I could not subscribe to the doctrine that when a Government which happened to have a temporary majority in the House of Commons made objectionable Agreements with other countries every other Party was committed to these Agreements for all time. As a matter of fact, these Agreements had not been confirmed by Parliament, and in the case of France the Agreement was only a temporary arrangement which had not been ratified by the French Government.

There the matter ended for the time being; but during the night Mr. Churchill had evidently been thinking about my statements, and had come to the conclusion

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that here was an opportunity to discredit the Labour Party and to give the Tories a good battle-cry at the coming General Election. Next morning a Cabinet Meeting apparently agreed with Mr. Churchill. They prepared a statement which was portentously read that afternoon in the House by Sir L. Worthington-Evans. He declared that my remarks on the Balfour Note and on our Debt Agreement with France and Italy was a wanton and reckless act, and that if our European debtors were led to believe that they might be called upon to pay a larger portion of their debt to us it would do the utmost injury to British interests. The Cabinet Memorandum concluded by formally asking the leader of the Labour Party if he accepted and endorsed my declaration, and if it constituted the official policy of the Labour Party.

I rose at once to reply to this statement. I expressed my surprise at the prominence that had been given to my remarks, for that was by no means the first time I had made that statement in the House of Commons. I supposed that the reason why the Tory Party and the inspired Tory Press that morning had given such prominence to my remarks was because they realised the failure of the Budget as a whole, and they were anxious to discover some other electioneering stunt. If the Tories wanted to raise this question of Debt Settlements I should be the last person to complain. The people who ought to be anxious that the true facts of these transactions should be hidden from the country were those who were responsible for them. If the Tory Party expected that I was going to withdraw or modify what I had said the previous day they were very much mistaken.

The Tory newspapers had come out that morning with headlines: "Mr. Snowden repudiates Allied Debt Agreements". I had, of course, done nothing of the sort. What I said was:

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"We held ourselves open if circumstances arose to repudiate the conditions of the Balfour Note.

"I pointed out that there was no finality in any of the arrangements regarding International Debts and Reparations, and that at that very moment an Inter-Allied Committee was sitting in Paris to consider a revision of the Reparation Agreement.

"If I were in office when the question of revision of Inter-Allied Debts arose we should consider ourselves free to enter on the negotiations for revision without the halter of the Balfour Note tied round our necks.

"I taunted the Tories by saying that they were the friends of every country except their own, and said 'I am sufficient of an Englishman not to be content to see my country bled white for the benefit of other countries who are far more prosperous.'

Mr. Churchill followed me. He was breathing fire and slaughter. My refusal to withdraw or apologise had evidently disappointed and angered him. He had hoped to see me humiliated by making an abject withdrawal and apology. My attitude, he declared, had made matters much worse, and he demanded that Mr. MacDonald should get up and say definitely whether my statements were accepted as the policy of the Labour Party. He asked Mr. MacDonald to say whether he approved of the word "bilking" I had applied to France. "This was a most offensive slang term drawn from the gutter and used to convey hatred and contempt, and was a grave insult to a friendly Power." Mr. Churchill's speech was a vigorous performance. It had the zest of a player who has been unexpectedly given an opening by his opponents, and he was going to score one of the greatest triumphs of his career.

Later in the debate Mr. MacDonald replied. His speech proved to be so diplomatic an affair that members were in doubt whether or not he supported me. He was placed in a very difficult position, I admit, but on the whole he discharged his task with considerable skill. He

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declared that to suggest my statement implied that a Labour Government would not honour the signature of this country was a grave injustice to his colleagues. "I am asked to say," he continued, "that if there is any idea of repudiating Agreements that bear the country's signatures, except under the conditions in which all Agreements may be revised and new Agreements made, I say there is none whatever." And he went on to make a statement which is interesting today (1934) in view of the refusal of the Government to honour its signature to the American Debt Settlement. He said: "I have never concealed my criticism of Mr. Baldwin's settlement with America. It was bad financially and bad politically. But I have said that until that Agreement is changed by mutual consent we shall pay every farthing whatever burden it may impose upon this country."

There was an amusing moment at the beginning of Mr. MacDonald's speech. Mr. Baldwin came in, and Mr. Churchill muttered something to him. Mr. MacDonald seized upon it. "I have just heard a stage whisper from the Chancellor of the Exchequer," he said. "Mr. Churchill's remark to Mr. Baldwin was 'The hunt is up!' I am much obliged to Mr. Churchill for showing his hand," commented Mr. MacDonald; "now we know the real nature of the attack."

Mr. Churchill was not satisfied with Mr. MacDonald's reply. He pressed for a more explicit declaration. He put a number of categorical questions to Mr. MacDonald, to which Mr. MacDonald refused to reply. Mr. Churchill, leaning across the table, with a scornful gesture, exclaimed: "I commend to the attention of the country the fact that the Leader of the Labour Party and the ex-Prime Minister of the country is incapable of answering perfectly plain and simple questions. He sits there and dare not open his mouth."

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It was one of the most exciting nights I have seen in the House of Commons. Tempers rose high, and the Labour members were wildly enthusiastic in support of their leaders.

But Mr. Churchill was evidently not quite satisfied that the debate was going to give the Tory Party the advantage they had expected to gain by it. That week-end he took the unusual course of issuing a long statement from the Treasury in which he tried to cover up his blunder in drawing the attention of the public prominently to my attack upon his Debt Settlements. I knew from inside knowledge why Mr. Churchill issued this statement. He had already discovered that my speech was exceedingly popular in the country, and not less among the Tory Party. I have never taken up an attitude on a public question, except at The Hague Conference, which brought me immediately such a mass of correspondence as this affair did. This correspondence indicated what I knew already, that, in spite of the inspired propaganda in the Tory Press, I had the country behind me in insisting that we should cease a policy of quixotic generosity to our debtors at the expense of the oppressed British tax-payers.

Mr. Churchill was quickly made to realise the real position, and that his attempt to make party capital out of my "reckless indiscretion" had recoiled upon his own head and upon the Tory Party. After his last frantic effort in his statement from the Treasury he dropped the attack like a hot brick, and during the following General Election not a word was said by himself or the Tory candidates upon the subject except when they were compelled to reply to questions.

It may be interesting to add that six months later, at the time of The Hague Conference, Mr. Churchill complained that I had not been sufficiently insistent in repudiating the objectionable features of the Balfour Note.

CHAPTER LXI

Formation of the Second Labour Government

THE General Election of May 1929 was one of the most strenuously fought contests I have known. During the two years previous the by-elections had shown that the Tory Government had lost its popularity, and that when the General Election came there was very likely to be a change of Government. This Election was not marked by any such discreditable incident as the Red Letter of the Election of 1924. On the whole it was kept free from personal recriminations, and elevated to the platform of political controversy.

This Election will be historic as the first occasion on which broadcasting was introduced into an electoral campaign. The three political parties were given the opportunity through representative speakers to explain and defend their Party programmes. I followed Mr. Winston Churchill on the microphone, and criticised his financial record and expounded the taxation policy of the Labour Party. This broadcasting of political speeches is an innovation which in the future will play a great part in political controversy; and I expect to see it universally used to relieve the political leaders from the necessity of touring the country and making platform speeches.

The Tories fought the Election with the desperation of men who realised that they would have to put forth every possible effort to avoid a disastrous defeat. The Liberals, who had been almost wiped out at the previous Election, fought hard to rehabilitate the Party. The Labour Party

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entered the contest with high hopes. The Party put forward 570 candidates, an increase of 54 over the number which ran at the previous Election. In the confident expectation that the Party would have to form the next Government, they had cautiously issued a moderate programme—that is, moderate in the sense that it contained nothing which a Labour Government might not reasonably be expected to carry if supported by a majority in the House of Commons. The leaders of the Labour Party had gained experience from their previous brief tenure of office. They were not going to commit themselves to schemes which they knew to be impossible of realisation in the immediate future.

I have already expressed the opinion that Election manifestoes have little influence in gaining votes, though they may lose a Party votes if they contain some extreme proposal upon which their opponents can seize and frighten a section of the electorate. I fought my own election mainly upon two questions—National Reconstruction and War Debts. I believe that my criticism of the American Debt Settlement and Mr. Churchill's War Debt concessions to France and Italy did as much to gain votes as anything else. I spoke in many constituencies during the Election, and usually devoted my speeches to this topic, and to the exposure of the way in which the British tax-payer was being burdened for the relief of other countries. Everywhere this made a tremendous impression. I believe that if all the Labour candidates had had the knowledge to deal fully with these matters the result of the Election would have been even more favourable to the Labour Party than it actually was.

The result of the Election, however, was a great victory for the Labour Party. The Conservatives lost 155 seats. The number of Conservative members returned was 260. The Labour Party increased the number of members in

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the House of Commons to 289, an increase of 137 over the number returned at the previous General Election! The Liberals, in spite of their strenuous efforts and the lavish expenditure of money, and the fact that they ran 512 candidates, returned only 58 members. But the number of seats they won grossly under-represented the number of votes recorded for Liberal candidates. The number of votes obtained by the three Parties was as follows:

Liberal	.	.	.	5,301,127
Conservative	.	.	.	8,664,243
Labour	.	.	.	8,379,978

The absurdity of our electoral system was strikingly illustrated in the results of this Election. The number of votes represented by the average member of each Party was as follows:

Liberal	.	.	.	89,850
Conservative	.	.	.	33,845
Labour	.	.	.	28,996

In the new Parliament each Liberal member had behind him roughly three times as many voters as the average Labour and Conservative member!

The Labour vote at this Election increased by just under 3,000,000, rising from 5,422,000 to 8,379,000. The most surprising personal result of this General Election was the case of Sir Austen Chamberlain, who just managed to scrape in with a majority of 43 over a Labour opponent at West Birmingham. In my own constituency of Colne Valley my majority was increased from 3243 to 9135. Mr. MacDonald had left his old constituency of Aberavon, and had gone to Seaham in County Durham, which had been represented by Mr. Sidney Webb, who was not seeking re-election. This was a safe seat, and Mr. MacDonald was returned by a large majority. It may be

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mentioned that the increase in the total votes recorded at this Election was accounted for by the fact that there had been an increase in the total electorate of about 7,000,000 due to the passing of the measure which gave women the vote on the basis of adult suffrage.

The result of the Election made it clear that Mr. Baldwin could not retain office. The Labour Party was now the largest Party in the House, having a majority of 29 over the Conservatives (excluding Independents), and a combined Liberal and Labour vote gave a majority of 87 over the Tories. Mr. Baldwin on this occasion did not wait for the new House of Commons to turn out his Government. The Election had been held on the 30th May, and on the 4th June he went to Windsor and submitted the resignation of his Government to the King. The next day His Majesty sent for Mr. MacDonald, who accepted office, and three days later announced the names of his new Ministry.

The day after the declaration of the polls Mr. MacDonald returned to London, and at once got in touch with his principal colleagues. I had a brief conversation with him on Saturday, the 1st of June, and we arranged that "the big five", that is MacDonald, Henderson, Clynes, Thomas and myself, should meet at his house in Hampstead on the following Tuesday morning.

The night previous to this meeting it had been announced that Mr. Baldwin was going to resign. Mr. MacDonald rang me up at Tilford about 9.30, and said that he was to see Baldwin next day. I got an impression from what he said that he was trying to make a bargain with Baldwin to keep us in office. Mr. MacDonald's experience with the Liberals when last in office did not encourage him to approach them to form some working

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arrangement. The way in which Mr. Lloyd George and the Liberals generally had attacked the Labour Party during the Election did not offer much prospect of harmonious relations between the two Parties in the new Parliament. I had made up my mind, however, that I should not be a party to any arrangements with the Tories.

At the opening of our meeting on Tuesday morning Mr. MacDonald began by saying that he thought we might consider the personnel of the Labour Cabinet. I said that there was a prior matter, namely, what our attitude was to be to the other Parties, and I repeated what I had said to him in our telephone talk the previous evening. On that occasion he had said to me: "I suppose you are ready for your old job." I had answered: "I am not so sure about that. I must be reasonably certain that we can remain in office until we have done something, and that means more than two years" (referring to his public statement that he wanted two years of sure office). I continued that I could not take on the Chancellorship unless I had the reasonable assurance that we should remain in office for at least three years, because Churchill had left the national finances in such a desperate state that it would require at least three Budgets, even if trade were good, to get them into something like order, and before any reduction of taxation could be made.

Mr. MacDonald said at this Tuesday meeting that he had never any intention of trying to make any arrangement with Baldwin, and that his visit to him was just an ordinary courtesy visit of an incoming to the outgoing Prime Minister. At this meeting I repeated what I had said on the telephone—that before I agreed to take office I wanted to have this assurance. I could not possibly consider any understanding with the Tories,

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as we should then be quite unable to carry our own Budget, or hardly any of the items on our programme. There was an irreconcilable difference between the Tories and ourselves on the question of "safeguarding", for instance. Henderson and Thomas wholly supported my views, and MacDonald fell into line. We agreed that we should pursue our own course, and make no arrangements with either of the other Parties, depending for Liberal support on the nature of our measures.

We then proceeded to consider the Cabinet appointments. The question arose of giving Miss Bondfield a Cabinet post. Henderson was strongly in favour of doing this, as he thought it would be a popular thing to do and would be especially popular among the women. Both Thomas and I took the line that a person should not be appointed to the Cabinet because of sex but on merits and qualifications. Miss Bondfield had already held the minor post of Under-Secretary to the Minister of Labour in the previous Labour Government, and she had fulfilled her duties with outstanding ability. On her own merits she was entitled to Cabinet rank. MacDonald was in favour of Miss Bondfield's inclusion, and we decided to put her name down for the arduous and unpopular office of Minister of Labour.

A discussion on John Wheatley then arose. During the time we had been in Opposition in the previous Parliament, Wheatley had dissociated himself from his former Cabinet colleagues, and had gone to the back benches into the company of the Clydesiders. In the country, too, he had made speeches attacking his late colleagues. MacDonald was strongly opposed to offering him a post in the new Government. Wheatley had deserted us and insulted us, and MacDonald thought the country would be shocked if he were included in the Cabinet, and it would be taken as evidence of rebel

influence. Henderson took the view, and I was inclined to agree with him, that it might be better to have him inside than outside. I took this view from my experience of him as a Minister. He was a man who, when free from the responsibility of office, would make extreme speeches; but as a Minister I had always found him to be reasonable and practical. However, we finally accepted MacDonald's view, and his name was not further considered.

What to do with Lansbury was something of a problem. He had been kept out of the previous Labour Cabinet, but we all agreed that some Cabinet office would have to be found for him in the new Government. But we also agreed that he could not be put in as head of an important Department. Merited or unmerited, the stigma of "Poplarism" still clung to him. I suggested that he might be given the Office of Works. I thought that this post would suit him admirably. He would not have much opportunity for squandering money, but he would be able to do a good many small things which would improve the amenities of Government buildings and the public parks. He was offered and accepted this post. He proved to be a very efficient and popular head of this Department.

Then a most distressing discussion arose about the Foreign Office. We knew that Henderson had set his heart upon this post. Thomas wanted this office, and I gathered that he and MacDonald had talked over the matter and MacDonald was favourable to giving him the appointment. Neither of them had very much love for Henderson. There were a good many past incidents, the recollection of which rankled on both sides. MacDonald made a very good suggestion that one of the Cabinet posts to which no official duties were attached should be given to an energetic person who would act as Minister of Employment to co-ordinate the Departments which

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might provide work and generally formulate plans for national reconstruction. He suggested that Henderson might take on this job. But Henderson was not having this. Thomas, who had been Secretary to the Dominions in the previous Labour Government, said that he would not take this office again. Henderson became very angry, and threatened to refuse to have anything to do with the new Government. He would keep to his work at the Labour Party Office. MacDonald seemed determined that Henderson should not have the Foreign Office, and eventually he said that he would take that post himself in addition to the Premiership for two years to get outstanding questions, like better relations with America, settled.

The discussion ended with no reconciliation between Thomas and Henderson. On the way home I had a talk with Henderson, who had cooled down, and seemed inclined to consider the suggestion of being Lord Privy Seal and Employment Minister if I would agree that he should act as Deputy Leader of the House in my absence. I agreed, and we parted with the impression on my part that he would accept this. The same evening he came in to see me (we were then almost next-door neighbours), and he had altered his mind again, and suggested that he would write to MacDonald to say that if MacDonald was determined to take the Foreign Office he would not enter the Government. I pointed out that if he did that he might strengthen MacDonald's determination to do so. Henderson was convinced that MacDonald and Thomas had agreed that the latter should be Foreign Secretary, and that MacDonald intended to take it just to keep Henderson out. He was still bitter about the letter MacDonald had written to him in 1924 when MacDonald was forming the first Labour Government asking him to be Chairman of Ways and Means. "If I had not been a good Wesleyan I should have sworn!" he said.

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On Wednesday afternoon, the 5th June, a meeting was held at Transport House of the members of the National Executive of the Labour Party and of the Parliamentary Executive. We expected that there would be questions about the way in which the Government was being formed, and that the dissatisfaction which had been felt in 1924 at the large share of the appointments which had then been given to the non-Trade Unionist element in the Party would find expression. However, MacDonald made a brief and tactful opening statement. He revealed nothing, and there was not a word of enquiry as to the construction of the new Government. Everybody there who was an M.P. evidently hoped that he would be in the new Government, and was afraid to speak. The meeting showed a desire to leave MacDonald free in the appointment of his Ministers.

Two important matters were raised at this meeting. Henderson said that, as Secretary of the Labour Party, he had had a communication from Citrine, Secretary of the Trade Union General Council, asking for some liaison between the Labour Government and the Trade Union Congress. After a few words of opposition to this from Mr. J. H. Thomas, because it would give countenance to the idea that the Government was under outside dictation, it was unanimously agreed not to establish anything of the sort. Henderson also raised the question of the weekly Party meetings, and suggested that these should be abandoned, and a small consultative committee elected by the private members be formed to keep the Government in touch with the Party. This suggestion was accepted.

After this meeting the "Big Five" met again. At this meeting Thomas said that he had considered the suggestions made the previous day about offices, and he was now prepared to take the Dominions. Henderson im-

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mediately shook him by the hand, and said "That leaves me the Foreign Office." I was taken completely aback, and presumed there had been some private arrangement. MacDonald never said a word about his statement of the previous day that he would take that office. This confirmed my suspicion. Shortly after Henderson left for another appointment; and then the matter of his going to the Foreign Office was raised. Thomas, like myself, appeared to have been wholly taken by surprise by Henderson's assumption that he was agreeing to go to the Dominions Office in order to leave the Foreign Office open to Henderson. In declaring that he would accept the Dominions he said that he assumed that MacDonald was going to the Foreign Office. Thomas was wild at being "tricked", as he put it. He threatened that he would not take office at all. He declared that he had said that he would take the Dominions under the belief that that would force Henderson to take the office of Lord Privy Seal and Employment Minister. It seemed that no compromise was possible. Thomas was irreconcilable, but eventually agreed to think the matter over until next day. So there the matter was left, Thomas promising to let MacDonald know his decision that evening. I rang up Thomas about nine o'clock and found him calmer, but still fiercely indignant with Henderson, and still undecided as to his action.

Next morning I had a telephone call from MacDonald to meet him and Thomas at Downing Street. I arrived first, and Thomas came in next, and we had a talk before MacDonald arrived. Thomas told me that he had slept over the matter of Henderson "tricking" him about the Foreign Office. He had decided to accept the post of Lord Privy Seal and Director-General of Employment Schemes.

This was a surprising outcome of the events of the

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previous day. Henderson's stubborn pertinacity had won, and he became Foreign Secretary. I never knew why Mr. Thomas changed his mind and agreed to take the post of Employment Minister, for he must have known that he was taking on a very difficult job, and one which was bound to bring him more criticism than credit.

He had already plans, and his chief concern at the moment seemed to be to get together a staff and an office. He was keen on Colonial development. He wished to announce that all contracts for this would be given to British workshops. We pointed out to him the un-wisdom of making any such announcement as it would simply give protection to British firms, who would form rings, and prices would soar sky-high. We agreed that he might keep Preference in mind and give it where prices were not unreasonable. We decided that he must do something to let it be known that we would not tolerate rising prices on account of demand caused by public works, and that, if necessary, we would introduce an anti-profiteering Bill.

We discussed at length what Thomas's new duties would be, and what steps he could take to increase the volume of employment. Thomas was extremely popular amongst business men, and he had decided that he would get in touch with the leading men in the various branches of industry and discuss with them trade possibilities and new construction work. He seemed in the few hours since he decided to take on this job to have been thinking tremendously, and he had got a number of quite sound ideas in his mind. I promised that I would help him with as much money as he needed for sound ventures which promised ultimate returns, but with not a penny for subsidies to inefficient industries. We were in complete agreement on this policy, and during the harassing months he held this difficult post there were no differences

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at all between us on policy, nor did he ever submit to me for financial help any proposal to which I had any hesitation in giving my approval.

When I left this meeting I met Mr. Churchill coming out of the Treasury Office where he had been clearing up. He looked fresh and happy, and gave me the encouraging information that he had not left a penny in the till!

I found in the evening papers that Thomas had begun his work—his new appointment was the news feature, and it had lost nothing of its importance in the telling!

We further discussed the Ministerial appointments. Mr. Wedgwood Benn had only recently come into the Labour Party, but he had had long Parliamentary experience, and had proved himself to be an unusually skilful and destructive debater. Although disliking to give office to new recruits, we felt that Benn's was an exceptional case, and that if he were included in the Cabinet he would be a considerable augmentation of the debating strength of the Front Bench. So it was suggested that he might be offered the India Office.

A number of men who had held subordinate offices in the previous Labour Government were entitled to promotion, and by the resignation of Sidney Webb, who had been President of the Board of Trade in the former Government, and the passing over of Mr. Wheatley, who had been Minister of Health, vacancies had been created in these offices. Mr. William Graham had been a conspicuous success as Financial Secretary to the Treasury in 1924, and he was obviously marked out for Cabinet rank. The Board of Trade seemed the most likely post for him, and he was appointed to this office. Mr. A. V. Alexander had been Parliamentary Secretary to the Board of Trade in the previous Labour Government, and he, too, by his work in that office had established a claim for promotion. Mr. Arthur Greenwood had been with Mr.

Wheatley at the Ministry of Health, and seemed to be his natural successor.

It had been suggested that Mr. Alexander might go to the Dominions Office, but Mr. Sidney Webb had made it a condition of his elevation to the House of Lords that he should carry a Cabinet appointment with him. So, when that office became vacant through Mr. Thomas's acceptance of the dual office of Lord Privy Seal and Employment Minister, Mr. Alexander was offered the post of First Lord of the Admiralty. Sir Oswald Mosley had been considered for this post, as it was thought he might be strong enough to fight the "gold braids" there. It was eventually decided, however, that Cabinet rank should not be given to one who had only recently joined the Party, and about whose Socialist orthodoxy there was at that time considerable doubt. He was, however, given the nominal office of Chancellor of the Duchy of Lancaster without Cabinet rank on the understanding that he would help Mr. Thomas with his employment schemes. Mr. MacDonald suggested Mr. Lees Smith for the Admiralty. This was probably due to the influence of Lord Arnold, who at that time was very intimate with MacDonald. I suggested that Lees Smith would find a congenial sphere at the Post Office, and MacDonald put him down for that office.

I asked that Mr. Pethwick Lawrence should go with me to the Treasury as Financial Secretary—a position for which I considered him to be eminently qualified. He had not held office in the previous Labour Government. At the University he had had a distinguished career—a Wrangler and a Smith Prizeman—and he was a very able Economist. I never regretted this selection. He made an excellent Financial Secretary, both in his Departmental duties and in the conduct of financial measures through the House of Commons.

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The death of Lord Haldane since the time of the previous Labour Government had left the office of Lord Chancellor vacant. There was no member of the Party who had the qualifications necessary for this high office. So the Prime Minister turned to Lord Sankey, a Lord of Appeal, who had never been associated with the Labour Party, being precluded from taking part in politics by his judicial position. He had a few years before made himself very popular in the Labour Movement as Chairman of a Royal Commission on the Mining Industry, and his appointment as Lord Chancellor in the Labour Government was received by the Party with general approval.

I need not go further into details of the constitution of the second Labour Government. It was composed overwhelmingly of the Right section of the movement. Of the fifty-four major and minor appointments the Trade Unionists were given twenty-one offices, and the remainder were filled from the non-Trade Union section.

The composition of the new Government was on the whole favourably received by the Press. The appointment of Mr. Henderson as Foreign Secretary caused considerable surprise. It was generally assumed that the Prime Minister would continue to give close attention to foreign policy. General sympathy was expressed with Mr. Thomas in the almost impossible task he had undertaken. Mr. Lansbury's inclusion in the Cabinet was regarded as its most disturbing feature, but some consolation was derived from the fact that as First Commissioner of Works his opportunities for extravagance would be severely circumscribed. Mr. Herbert Morrison was brought into the Government for the first time, taking the post of Minister of Transport without Cabinet rank. He proved himself, however, in a short time to be such an efficient Minister that he was taken into the Cabinet.

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On Friday evening, the 7th July, I received official notice to attend at Windsor Castle at 11.30 next morning to be sworn in as Chancellor of the Exchequer. The King had only recently recovered from a very severe illness, and was not fit to make the journey to Buckingham Palace. It had been arranged that a special train would take the new Cabinet from Paddington to Windsor on Saturday morning, the 8th July. The news of our journey had got abroad, and a great crowd assembled at the station to see us off. We had an enthusiastic reception, and the good wishes of the crowd were showered upon us. At Windsor five open landaus with postilion riders had been sent from the Castle to meet us. It was the first occasion in history when a new Cabinet had attended the Sovereign accompanied by a woman. Miss Bondfield, who had that unique distinction, was seized upon by the reporters, who asked her if she was frightened. "Oh, not the least bit," she said. "I am used to this sort of thing. There is only one thing that I am really conscious of, and that is that I am making history." At Windsor a large crowd lined the streets as far as the Castle, and again the new Ministers had a great reception all along the route.

The ceremony of swearing in the Ministers took place in the Audience Chamber of the Castle. The King looked remarkably well considering the severe illness through which he had recently passed. He apologised for having put us to the trouble of coming to Windsor on account of his illness, and asked to be allowed to remain seated. Lord Parmoor, as President of the Council, called each Minister before the King, taking the Secretaries of State first, then the Chancellor of the Exchequer and other Ministers. Each went to the King's chair and on bended knee swore to fulfil his office faithfully, and was then handed his seals, and kissed the

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King's hand. I was excused from kneeling on account of my physical infirmity. The ceremony went through without a hitch, and Sir Maurice Hankey, the Clerk to the Privy Council and Secretary to the Cabinet, afterwards described it as a brilliant success. The King complimented Miss Bondfield on being the first woman Privy Councillor. As we were leaving the room the King said to me: "I hope you are not too tired with standing." He was always most kind and considerate.

On our return from Windsor the Ministers proceeded to their respective Departments and deposited their seals. I found that Churchill had altered the position of the furniture in the room. I had it at once put back into its former position. I reappointed my two former Private Secretaries—Mr. Grigg and Mr. Fergusson. Churchill had had three, but I dispensed with the third and handed him over to Thomas, to whom he had acted as Private Secretary in the former Labour Government. I then returned to the Cabinet Room in Downing Street, where we had an informal talk. We fixed the first Cabinet Meeting for eleven o'clock on the following Monday.

On our arrival at Downing Street that morning we found a tremendous commotion in the court. There were some fifty photographers, talkie men, and cinema operators. Henderson had arranged this for advertisement purposes. I disliked all this show business. We had to parade before the camera, and the Prime Minister introduced each with appropriate words.

At this first Cabinet Meeting no business was presented beyond the Prime Minister initiating the new members into the mysteries of Cabinet procedure.

CHAPTER LXII

The Labour Government meets Parliament

THE new Labour Government was given three weeks' respite before it had to face the House of Commons. This interval was fully occupied with meetings of the Cabinet and the preparation of the legislative programme. On the 2nd July the King's Speech was read in the House of Lords by the Lord Chancellor, and in the House of Commons by the Speaker. The King had not sufficiently recovered from his serious illness to be able to open Parliament in person.

It was clear from the first day that the Conservative Opposition were in a state of exasperation from their electoral defeat, and were determined to embarrass the Government in every possible way.

The King's Speech outlining the legislative programme for the new session was an ambitious document, and contained a list of measures which the Government could hardly expect to carry through in one session of Parliament. Foremost place was given to the question of Unemployment. In this connection schemes would be submitted to Parliament for the improvement of means of transport, for the stimulation of the depressed export trades, for the economic development of the Colonies, for the improvement of agriculture, for the encouragement of the fishing industry. Measures were under consideration with the object of providing greater opportunities for overseas migration. A Bill was being prepared for the reorganisation of the coal industry, including the

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hours and other factors, and for the ownership of the minerals.

The Government had already begun enquiries into the condition of the iron and steel and cotton industries in order to discover means for co-operation between the Government and the industries concerned to improve their position in the markets of the world. Legislation would be introduced to promote an extensive policy of slum clearance, and to make further provision for housing in urban and rural areas. The Government also proposed to institute an examination of the experiences of the General Election so that the working of the law relating to Parliamentary elections might be brought into conformity with the new conditions created by the wide extension of the franchise.

It is interesting to note that five years later (1934) every one of these questions is still receiving the consideration of the Government. This is a striking commentary on the difference between the promises of Governments of all parties and their performances. The Labour Government carried out exhaustive enquiries into the cotton and iron and steel industries, but, owing to the conservatism of the leaders in these industries, nothing whatever has yet been done to reorganise them. The Labour Government did pass through Parliament a Coal Mines Bill, but, mainly owing to the opposition of the mine-owners, no very useful results have accrued from this measure.

I will turn back to the debate on the Labour Government's legislative programme for the Session of 1929. Mr. MacDonald spoke at length, amplifying the summary of the programme as given in the King's Speech. He made one interesting confession, which is significant in view of what happened in 1931 when the National Government was formed, which shows that even so far back that idea was working in his mind.

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He said :

"I want to say something else. It is not because I happen to be at the head of a Minority that I say this. The thought must be occurring to the minds of everyone who is aware of the very serious problems that this country has to face, problems at home and problems abroad. I wonder how far it is possible, without in any way abandoning any of our party Positions, without in any way surrendering any item of our Party principles, to consider ourselves more as a Council of State and less as arrayed regiments facing each other in battle? The condition of the House at the present moment invites us to make these reflections, and so far as we are concerned co-operation will be welcomed. . . . It applies to a Majority as well as to a Minority Government. . . . So that by putting our ideas into a common pool we can bring out from that common pool legislation and administration that will be of substantial benefit for the nation as a whole."

There is a remarkable similarity of phrases in this extract to the words which Mr. MacDonald employed two years later when explaining and justifying the formation of the National Government.

There was another interesting statement in this speech made when he was talking about the appointment of a Committee to consider the question of Electoral Reform. The extract is a good example of Mr. MacDonald's habit of falling into Scotch metaphysics, which leaves his hearers in a state of bewilderment as to what he means. He said :

"There are the rival plans of a second ballot, an alternative vote, and proportional representation, and there is another group. There is a group who consider that, after all, an election really does not begin and end by an accurate mathematical representation in this House of the bodies of electors who have grouped themselves to put their ballot-papers in the ballot-boxes. One view of government is the static view, where we are an exact replica, on a very small scale, of the millions of electors. That is one view, the static view. But the other view is that the real,

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final purpose of an election is to elect a Government, and I use the word rather apart from electing merely a House of Commons. That is another view, and all these views must be considered in order to find out exactly where we are."

The meaning of the "views" expressed in this extract can be gathered only by those who were acquainted with Mr. MacDonald's oft-expressed opinions on the question of Electoral Reform. He had stated his opposition to any change in the existing system on the ground that, disregarding the aim of "accurate mathematical representation in the House of Commons", the existing system gave the country a Government which was strong and reflected roughly the wishes of the electorate.

The Conservative Opposition selected as the subject of their Amendment to the Address the question of the safeguarding of industry. Sir Philip Cunliffe-Lister moved an Amendment in the following terms:

"But humbly represent to Your Majesty that the failure of Your Majesty's Ministers to make any plain declaration of their policy in regard to the Safeguarding, McKenna, and analogous Duties, and to the maintenance of Imperial Preference, creates a condition of uncertainty prejudicial to trade and to the employment of the people."

The choice of this subject for the debate at the opening of the new Parliament, immediately after the policy of Tariffs had been decisively rejected by the electorate, showed either considerable courage or a strange ignorance of the political situation. It fell to me to take part in this debate on behalf of the Government, and to state that we should scrap the procedure of the previous Tory Government on the Safeguarding of Industries, and that we should not extend the protection which had been given to certain industries when the period for which it had been given expired; and that we reserved the right

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to withdraw the protection before that date if we thought fit to do so. The main purpose of this Tory debate was to drag from me a declaration of the Government's intentions in regard to the McKenna Duties, which had been reimposed by Mr. Churchill in 1925. I emphatically refused to do this, and the only reply they got was to "wait and see". The result of the division upon the Tory Amendment was an overwhelming defeat of it. There was a full muster of Labour and Liberal members against it, and the Tories were unable to put their full strength into the Division Lobby for their own Amendment. At that time there was a fair number of Conservative members who were opposed to Tariffs, but they only dared to show their views in the negative form by abstaining from voting for the Tory motion.

The first part of the new session was necessarily brief, as the time for the adjournment for the Summer Recess was near at hand.

Mr. Thomas had taken the duties of his new office as Employment Minister very seriously, and when Parliament met, although he had been in office less than a month, he was able to report a considerable amount of progress made. As an old railway-man, he naturally turned first of all to an enquiry as to what could be done by the railways in the form of new capital works and new equipment. He was able to tell the House on the second day it met of the schemes he had already sanctioned and of the plans he had in view. Parliament would be asked to guarantee £25,000,000 for loans for Public Utility Companies' Schemes, such as the extension of underground tube railways and the electrification of certain lines. The municipalities were to be given more generous grants to encourage them to carry out local public works. Assistance to the extent of £1,000,000 a year was to be

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given by the Government for interest over a limited period on loans raised for Colonial development schemes. A five years' programme for improving existing roads, costing £28,000,000 had already been sanctioned.

Mr. Thomas explained that he was going to Canada next month to discuss with the Canadian Government the question of migration, and with the Canadian Railway Companies the possibility of importing a larger amount of British steel. After this preliminary announcement of his intentions, he encountered some opposition, especially from Mr. Lloyd George, on the ground that he was asking Parliament to give him unlimited powers to spend money on schemes which had not yet been formulated. The opposition was withdrawn after I had intervened and promised that I would go into the matter with Mr. Thomas and fix a limit to the amount of Government money to be spent, and on the further understanding that when the sum sanctioned by Parliament had been allocated we would come again to the House to ask for further powers of expenditure.

Sir Oswald Mosley had been given the nominal office of Chancellor of the Duchy of Lancaster on the understanding that he would assist Mr. Thomas in his Employment Plans. The services of Mr. Thomas Johnston, who was Under-Secretary for Scotland in the new Government, and Mr. George Lansbury, the Commissioner of Works, were also to be used for the same purpose. From the beginning this arrangement did not work. The relations between Mr. Thomas and these three Ministers were never harmonious. Mr. Thomas wanted to keep things in his own hands. The three other Ministers had ideas of their own which conflicted with Mr. Thomas's policy. Eventually the relations between these Ministers became so strained that the arrangement had to be abandoned.

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Mr. Thomas had taken on a difficult task which could not have been carried through by any Minister who had not the powers of a dictator. A difficult task became an impossible one when world trade suddenly collapsed in the autumn of 1929 as the result of the financial crash in the United States. Unemployment increased rapidly, and soon passed beyond the two millions figure. Anything that Mr. Thomas could do within his powers in the way of promoting public works made little impression upon the rising volume of unemployment. He struggled manfully against the deepening trade depression. By October of this year export trade had fallen by 50 per cent. from the figure of the corresponding period of the previous year. Mr. Thomas was the object of general though undeserved criticism from all quarters. Every day he had to face a barrage of hostile questions. The difficulties of his task and the storm of criticism he had to face—especially from a section of the Labour Party—broke his spirit, and eventually led to his resignation of a thankless task. But this story must be told later.

In the first few weeks of the new Parliament we were able to judge its temper and its qualities. It certainly was an improvement upon the previous Parliament, which had been predominantly Tory. It was clear that we could expect no quarter from the Conservatives, who were bent upon making things as difficult as possible for us. Personally I did not mind this in the least. I expected an Opposition to oppose, and the more vigorous that opposition was the more I enjoyed it.

Although the Liberals were few in numbers they had some very able men. Sir Herbert Samuel had returned to the House of Commons after ten years' absence, having spent most of the interval as High Commissioner of Palestine.

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The large number of new Labour members contained some men who were useful additions to the debating power of the back benches. The relations between the Liberals and the Labour Government promised to be a little more harmonious than when the previous Labour Government was in office. The Liberals were anxious, if possible, to keep the Labour Government in office until the question of Electoral Reform had been settled. This was a question which naturally was of great concern to a Party which had suffered so severely under the absurdities of the existing electoral law. The Tories were not averse to some change in the electoral law, but were inclined to favour a system of Proportional Representation. The Liberals, too, were strongly in favour of this system, but the Labour Party were opposed to it. The Labour Party in the main were opposed to it on the ground that under the present system they stood a chance to gain representation in Parliament beyond their proportionate strength in the country. Later in the year the Government appointed a Committee under the Chairmanship of Lord Ulleswater—a former Speaker of the House of Commons—to consider the various schemes of electoral reform.

Parliament adjourned for the Summer Recess at the end of July, but this brought no respite to my labours. Two days later I left England to attend an International Conference at The Hague which had been called to deal once more with the problem of German Reparations.

CHAPTER LXIII

The Hague Conference

I COME now to the story of what was perhaps the most sensational episode in my career; an episode which to my great surprise brought me for a time into world-wide notoriety. This was the Reparations Conference which was held at The Hague in the month of August 1929.

Perhaps I had better begin with a brief statement of the events which led to the calling of this Conference. Ever since the end of the War the question of Reparations and War Debts had caused considerable trouble. A great many International Conferences had been held on these matters, but no working and permanent settlement of Reparations had been reached. The Peace Conference met in Paris after the War in an atmosphere still charged with war passions. Fantastic ideas were then entertained as to the possibility of compelling the defeated Powers to pay the whole cost of the War. These ideas were soon found to be vain delusions, and the successive Conferences on the subject made unsuccessful efforts to reduce the amount of Reparations to be exacted from Germany to a limit which might be within her capacity to pay.

Three years after the end of the War some wiser heads began to realise that the whole idea of exacting Reparations and discharging War Debts was financially and economically impossible without inflicting injury upon debtor and creditor alike. On the 1st August 1922, the British Government made a bold and statesmanlike declaration on the subject, which was embodied in a Note addressed

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by Lord Balfour to our European Allies in the War. This document insisted upon the relationship between Reparations and Inter-Allied Debts; and set forth in plain language the British view of the problem. It was pointed out that up to that time the British Government had abstained from making any demands upon their Allies either for the payment of interest or the repayment of capital on the debts due to Great Britain. In the meantime Great Britain had been required to meet her obligations to the United States. In this Note the British Government announced that they were prepared, *if such a policy formed part of a satisfactory international settlement*, to remit all debts due to Great Britain by her Allies in respect of Loans, or by Germany in respect of Reparations. This magnificent offer met with no response either from the Allied countries or from the United States.

Further efforts were made to place the Reparations Payments on a more practical basis, culminating in the London Conference held in July 1924, to put the Dawes Scheme into operation. The Dawes Plan was never regarded as being of more than a temporary character. It involved serious interference by the Creditor Powers with the economic and commercial affairs of Germany, and even those who fixed the figure which was to be paid by Germany had grave doubts as to whether it would be within the capacity of Germany to meet these obligations, and especially whether it would be possible to transfer the payments to the creditors without seriously upsetting the International Exchanges.

The question of revising the Dawes Plan was first raised by Mr. Parker Gilbert, the Agent-General for Reparations, in his Report on the working of the Plan published in December 1927. He urged the advisability of opening up negotiations for this purpose between the

German and the ex-Allied Governments. No further step towards a revision of the Dawes Plan was taken until September of the following year (1928), when during the sitting of the League of Nations Assembly at Geneva the German Ministers raised the question of the Evacuation of the Rhineland. The French Government insisted that the Evacuation of the Rhineland could not be considered until the matter of German Reparations had been placed in a more satisfactory position. It was finally agreed that there should be parallel discussions about evacuation and about a final settlement of Reparations, and that a Committee of Experts should be appointed to draw up proposals for a complete and final settlement of the Reparation problem. Negotiations on the matter took place between Mr. Churchill (who was then Chancellor of the Exchequer) and M. Poincaré. In connection with these negotiations Mr. Churchill visited Paris, and finally Notes were exchanged between the two Governments placing on record their points of view in regard to a final settlement of Reparations.

It is important here to note, in view of the controversy which arose at The Hague Conference, that Mr. Churchill insisted that in any alteration of the *amount* of the Annuities to be paid by Germany the distribution of these Annuities between the different Creditor Nations should be based upon the percentage which had been fixed by agreement at the Spa Conference held in 1920, and which since then had been maintained in all the Reparation Plans. He also insisted that full cover from Reparations and Allied Debt payments should be assured under any new Plan. He pointed out that up to that time the British payments on her Debt to America had exceeded our receipts from Reparations and Allied Debts by £180,000,000, and he insisted that the British Government must reserve their right to deal with this deficiency and

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to recover supplementary payments over and above their current debt liabilities.

When I come to deal with the proposals of the Young Committee, which was the outcome of these negotiations, it will be seen that in demanding amendments to their Report at the Hague Conference I was doing no more than acting upon the policy of the British Government, with which the Allied Governments ought to have been familiar.

The new Committee of Experts, charged with the duty of drawing up proposals for a complete and final settlement of the Reparations problem, was formally appointed on the 19th January 1929, and it first met on the 9th February. The Chairman of this Committee was Mr. Owen Young, an American, and it consisted of ten other members—two Belgians, two French, two Germans, two Italians and two British. The British members of the Committee were Sir Josiah Stamp and Lord Revelstoke—who unfortunately died before the Committee reported, and his place was taken by Sir Charles Addis. This Committee sat for four months and, according to all reports, its proceedings were not of a very harmonious nature. Each of the Allied members of the Committee who had been appointed by their respective Governments, and who regarded it their duty to get as much as they could for their own country, put forward claims which, if satisfied, would have resulted not in a decrease in the amount of Reparations Germany would have to pay, but an increase in the full Dawes Annuity from £125,000,000 to £150,000,000. It had been made quite plain that the two British members of the Committee were in no sense representatives of the British Government. They had been appointed to give their expert knowledge to the problem of what sum Germany might be able to pay. The opposition to the unreasonable claims put forward

by the representatives of the Latin Governments had to be contested mainly by Sir Josiah Stamp, who during these four months had a most strenuous and unpleasant time. He has since made it known that he eventually agreed to proposals demanded by the Latins in order to avoid a total break-down of the Committee.

It leaked out in the Press at the beginning of May, while the Committee was still sitting, that in order to reconcile difficulties and to meet the demands of the French, Italians and Belgians, the chairman had produced a fresh scheme. Under this scheme the average share of the British Empire was to be reduced to a figure which would fail to cover even our future Debt Payments. When this became known there was a storm of protest from all shades of opinion in this country, and Mr. Churchill was questioned upon it in the House of Commons. He stated that the British Government was in no way bound by the recommendations of the Committee of Experts, and he made it quite clear that there could be no chance of any such proposals being accepted by this country. Eventually fresh proposals for the distribution of the Annuities were made which slightly increased the share of the British Empire.

Anyone who has had experience of such Committees can understand quite well how it came to pass that the recommendations of the Committee were so unfavourable to Great Britain. The representatives of France, Belgium and Italy on the Committee were a solid block, and by insistence upon their demands they wore down the opposition and reduced the chairman to a state of almost complete nervous prostration. Finally, to prevent a complete break-down, the British members of the Committee had to accept a Report with some points on which they did not agree, and which they quite realised involved unfair sacrifices on the part of Great Britain.

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In order to get an understanding of the matters which caused such acute differences in the Hague Conference, I will try to make as plain as possible the objections of the British Government to certain proposals of the Young Report.

The Report fixed the amount of the payments to be made by Germany at an average of £100,000,000 a year over the next fifty-nine years. This was a reduction of about 20 per cent. upon the Annuities under the Dawes Plan. This reduction in the German payments was accepted by the British Government, but we took the position that so long as Reparations were paid they must be fairly distributed amongst the Creditor Powers. This question of the distribution had been hotly debated in the earlier Conferences. Two years after the War, at a Conference at Spa in 1920 a scale of distribution among the Creditor Powers was agreed upon. The percentage of Reparations allotted to Great Britain under the Spa Agreement was substantially below the percentage to which Great Britain was entitled on merits. But it was accepted, and although the system of German payments had been altered at least four times in the subsequent eight years, the Spa scale of distribution had been maintained. The Young Report recommended a change in the percentage of distribution of the Annuities which would reduce the shares of the United Kingdom, the United States of America, and some of the smaller Powers by £2,000,000 a year for thirty-seven years, and Great Britain's loss was to be distributed amongst France, Italy and Belgium, the major part of the advantage going to Italy.

There was a further feature of the Young Report to which the British Government took strong exception. It was proposed to divide the German Annuities into two classes—Conditional and Unconditional Annuities.

About one-third of the total Annuities—equal to a sum of £33,000,000—was to be placed in the category of Unconditional, and was to take priority of payment over the other two-thirds. Five sixths of this prior charge was allotted to France. Italy was to get about £2,000,000 a year, and the remainder, amounting to less than £2,000,000, was to be distributed amongst all the other Creditor Powers. The purpose of dividing the Annuities into two categories, giving absolute security for the receipt of the unconditional part, was to enable the countries receiving these payments to fund them into a Capital Debt against Germany. It was extremely unlikely that Germany would be able to maintain the regular payments of the whole of the Annuities, and, as practically the whole of Great Britain's share of the Annuities was to come from the postponable part, while half of the share of France was guaranteed against postponement, France in this respect was placed at a great advantage compared with Great Britain.

The other part of the Report to which the British attached importance was that dealing with the payments of Annuities in kind. This method of paying Reparations was especially disadvantageous to Great Britain, as these exports from Germany entered into competition with British exports.

These were the three principal matters in the Report to which the British Government took strong exception, and the British Delegation went to the Hague Conference with the authority of the Cabinet to insist on such adjustments of these matters as would secure justice to this country. A delegation to a Conference of this character must necessarily be given a certain measure of liberty, within their general instructions, to deal with matters which may unexpectedly arise, and with developments that cannot have been foreseen. It was understood that

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if the British Delegation found it impossible to secure the acceptance of their demands, and if the break-down of the Conference seemed likely, the British Delegation would refer to their Cabinet colleagues for further instructions.

A week before the Delegation left for The Hague, the Young Report was raised in a debate in the House of Commons by Mr. Lloyd George, who took exception to the three points in the Report to which I have just referred. In replying to this Debate I left no doubt that the Government took the view on these matters which Mr. Lloyd George had stated, and I concluded by saying: "I am expressing my own view, and, I think, the view of the Government, when I say that the limit of concession by this country has been reached." The outcome of this debate made it quite clear that the three points would be raised at the Conference by the British Delegation; and it came as a great surprise to me when the matters were raised at the Conference that the foreign-delegates appeared to be in complete ignorance of the attitude of the British Government in regard to them.

The British Delegation left for the Hague on Sunday, the 4th August. We arrived on the Sunday evening, and were received at the station by the British Minister, and on behalf of the Dutch Government by M. Beelaerts van Blokland, the Foreign Minister. We had to submit to the usual infliction of being photographed, and then proceeded to our headquarters at the Grand Hotel, Scheveningen, a seaside resort two or three miles from The Hague.

The formal opening of the Conference had been fixed for Tuesday morning, the 6th August. The Dutch Parliament was not then in session, and the Government had very generously placed the Parliamentary

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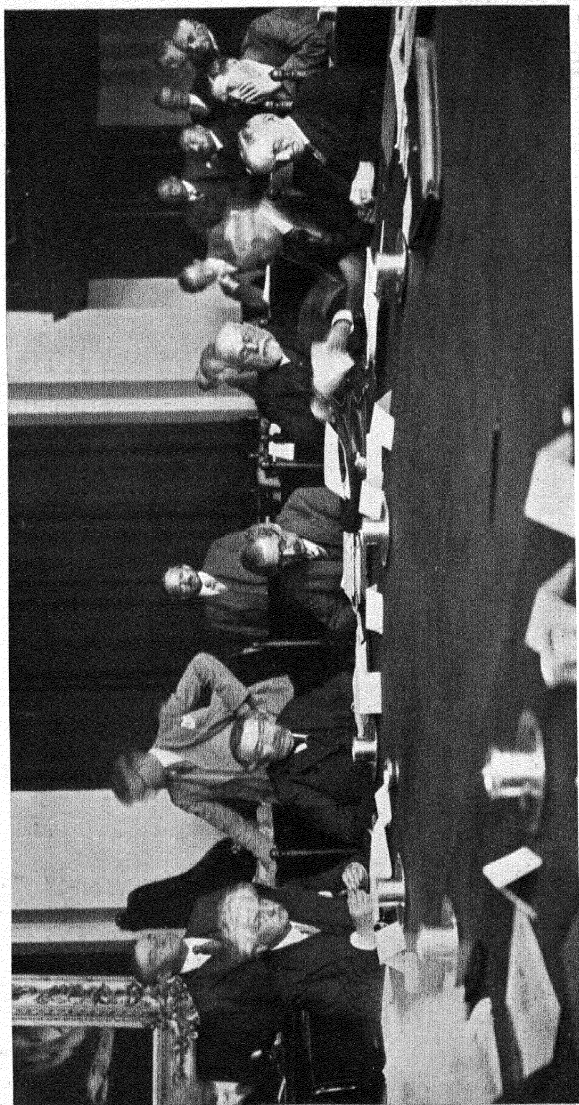
buildings in the Binnenhof at the service of the Conference.

On the evening before the Conference assembled, the heads of the six principal Powers, including Germany, met at the hotel at which the French Delegates were staying for an informal talk about the proceedings of the Conference. This was the first occasion on which I had met M. Briand, and M. Jaspar, the principal Belgian delegate. I renewed my acquaintance with Dr. Stresemann who, I was pained to see, was obviously in a very poor state of health. We discussed at this informal gathering the question of the Chairmanship of the Conference, and the appointment of a Secretary-General. In regard to the latter appointment there were no differences of opinion as to the man beyond all others best qualified to fill that important post. Sir Maurice Hankey was well known to the foreign delegates, who had met him when acting in a similar capacity at many previous international conferences. In regard to the Chairmanship of the Conference arrangements were made which, however, were never carried through, that the chair should be occupied successively by the heads of the principal Delegations.

M. Jaspar, the principal Belgian delegate, was selected to take the chair at the first plenary session of the Conference, a position he accepted in complete innocence of the onerous duties he was undertaking.

M. Jaspar had a head of hair which reminded one of Mr. Lloyd George, and this resemblance had led at a previous Conference at Cannes to an amusing incident. Two Englishwomen saw M. Jaspar, who they believed was Mr. Lloyd George, enter a barber's shop. They waited outside, and when M. Jaspar emerged they went into the barber's shop and begged for a lock of hair which had been cut from the gentleman's head who had just gone

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Mr. Henderson (standing), M. Jaspard, M. Briand, M. Berthelot, M. Chéron, M. Loucheur, Mr. Snowden.
Photo by Sport and General.

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out. This was given to them, and it is very likely to this day two Englishwomen are wearing a lock of M. Jaspas's hair in the belief that they are treasuring a lock of Mr. Lloyd George's!

The arrival of the delegates for the opening session the following morning was watched by vast and cheering crowds. On this occasion the public were admitted to the galleries, as the proceedings were to be of a purely formal character. There were thirty-three chief delegates at the Conference, representing fourteen nations. The Dutch Foreign Minister welcomed the Conference on behalf of the Government and the Queen to the calm and peaceful atmosphere of The Hague. M. Briand, as the senior Minister among the delegates, followed with one of his appropriate little orations. He referred to The Hague as a symbol of peace, and "here", he added, "is a propitious atmosphere in which to serve the cause of humanity, and to make yet another effort to promote peace and good-will between the nations which have by sad experience learned that war is bad business, even for victors." Dr. Stresemann followed, and, though physically weak, made a bold speech in which he referred indirectly, but still quite pointedly, to the idea which M. Briand had recently put of a "United States of Europe". I followed with a very brief speech in which I expressed regret that M. Poincaré and Herr Mueller, the German Chancellor, were prevented by illness from attending the gathering, and I congratulated Holland upon being free from the necessity of taking part in the proceedings, and expressed the conviction that though Holland was not directly concerned with such troublesome problems as Reparations, she, like all nations, would benefit by a just and satisfactory settlement of the problems before the Conference. After these formalities the opening session came to an end, to be

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resumed for business purposes at four o'clock that afternoon.

It had been decided that the business sessions of the Conference should be held in private, though it was soon discovered that it might have been better if the Press had been admitted. It was impossible to keep the proceedings and debates of the Conference secret. There were scores of Press men from all parts of the world assembled at The Hague, and, being denied access to the meetings of the Conference, they were driven upon other resources for their information. With the exception of Great Britain, all the other Delegations had brought with them strongly staffed and highly efficient Press departments, and they had also perfect arrangements for meeting the Press representatives from their respective countries and putting them in possession of the news they wanted circulated in their own countries. Nothing transpired at the Conference which was not immediately conveyed to the foreign Press representatives, and, naturally, coloured by the impression they wished to make upon the people of their respective countries. The British Delegation were driven to adopt similar methods, although our Press department was never so elaborate as that of the other Delegations.

At four o'clock that afternoon the first business session of the Delegates assembled under the chairmanship of M. Jaspar. I thought it desirable that the British attitude towards the Young Plan should be stated at the outset of the proceedings, and I rose at once for that purpose. In view of the impression which my statement made on the Conference and the sensation it created throughout the world, it might be well if I reproduce the fairly full

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report of my remarks which was afterwards communicated to the Press. I began by saying:

"The experts had stated that the Young Report must be regarded as indivisible and must be accepted as a whole, but I was afraid that if the Conference accepted that statement and took the proposals as they now stood, they would have to follow in some respects an inconsistent and rather contradictory decision. The British experts were not Government servants, and the British Government was in no way committed to adopt the committee's recommendations.

"The views of the British Government were that the annuities which had been fixed were not beyond Germany's capacity to pay. If a difficulty should arise, it would not be in Germany finding it difficult to obtain the money, but because Germany could not pay the money into the creditors' pockets.

"The abolition of financial control was heartily welcomed by the British Government. As regards financial security, this was now based upon a solemn undertaking by the German nation, which also was a departure from that laid down by the Treaty of Versailles. There were a few safeguards in case of difficulties, which I hoped and believed would not arise, and I was glad that the sanctions had been removed.

"The British Government had no objection to the volume and the amount of the annuities, but it objected to the proposal to divide the amount into two categories. So long as conditional annuities were being paid it did not matter much, because all nations were getting their money, but unconditional annuities carried the right of mobilisation, and therefore attained greater security than the conditional annuities.

"The British Government objected to the present proposed division whereby France got five-sixths of the unconditional annuities and Italy had a very considerable sum amounting to £2,000,000 annually, which was much larger than her revenue under the Dawes Plan. There remained a perfectly negligible part to be divided among the other creditor Powers. I hoped they would forgive me for speaking frankly and firmly. The division was utterly indefensible, and the Experts themselves had made no attempt whatever to explain it or to justify or to defend it.

"The British Government attached the greatest possible importance to the proposed modifications which had been made in

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the distribution of annuities among the various creditor nations, and which was a departure from agreements which already existed, and, unfortunately, this division was very much to the disadvantage of certain creditor countries and very much to the advantage of other creditor countries. Great Britain was a very heavy sufferer from these suggested alterations in the distribution of annuities, and some of the smaller nations would also suffer. That was in one respect very unfortunate, because the small nations who were now asked to make sacrifices in their percentages were not represented at the Experts' Conference.

"This was the first time that a suggestion had ever been made that there should be a departure from the Spa percentages. There had been eight conferences since that of Spa on the Reparations problem, but this was the first time any suggestion had been made that there should be any change or modification in the percentages then decided upon. The question had never been raised by the Dawes Scheme, and the experts had no authority to interfere with existing arrangements for the distribution of annuities. When the Young Committee was convened, it was agreed among the chief creditor Powers that there should be no interference with the Spa percentages.

"The effect of the reduction was very heavy upon some countries which did not share at all in the mobilisable part of the annuities. Great Britain would lose under the proposed scheme 48,000,000 marks a year. France, in addition to five-sixths of the unconditional annuities, would gain 10,700,000 marks, Italy 36,800,000 marks and Belgium 12,200,000 marks. Japan, Serbia, Greece and Rumania, and the United States would also lose small amounts.

"We have paid to the United States £150,000,000 which, with accrued interest, is now £200,000,000 before we have received any payments from our debtors on account of their debts to us. It is estimated that if the scale is adopted Great Britain will get just her bare debt to the United States covered. But it must be remembered that it makes no allowance whatever for the sum of £200,000,000 which is due to Great Britain under the terms of the Balfour Note."

I then touched on the question of payments in kind, and said Great Britain attached great importance to this question, adding:

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"Our relations with Germany are very friendly commercially, and long may they continue so, but we compete in the markets of the world, and payments in kind therefore have assumed a great and serious importance.

"Forgive me if I appear to speak with great firmness in regard to the distribution of annuities. The House of Commons would never agree to any further sacrifices of British interests in this matter. We are agreed—and as you all know, all parties in Great Britain are agreed—upon this.

"We are prepared to wipe the slate clean of all international debts and all Reparations. That was implied in the Balfour Note. It was the declaration of our Party before we came into power. But so long as Reparations are paid and received, so long as debts are payable, every Government in Great Britain will insist upon Great Britain being fairly treated in this matter."

At the conclusion of my speech the Conference evidently felt that they had had as much for that session as they could comfortably digest, and a motion was made for the adjournment of the Conference.

To my surprise the speech, which contained nothing which ought to have surprised the delegates if they had been aware of the position of the British Government as stated in the House of Commons debate, caused a great sensation. The French, Italian and Belgian Delegations had evidently come to the Conference expecting no opposition to any of the recommendations of the Report. They had assumed that the business of the Conference would be confined to drafting a protocol laying down the conditions for putting the Plan into operation. As a matter of fact, I was appalled at the ignorance which was displayed by the Delegations of these countries. They had no appreciation at all of the contributions which Great Britain had made to France, Italy and Belgium in the settlement of their War Debts to this country.

The full Conference assembled next morning (Wednesday, 7th August). It was clear that the French, Italian

and Belgian delegates had kept their officials up all night preparing statements for them, which were read to the Conference. The statements were moderate in tone, but emphatic that there could be no concessions by them on the demands I had put forward. The smaller Powers who suffered to some extent from the alteration of the Spa percentage were unanimous in their criticisms of the Report. There was, however, an underlying feeling that I had thrown out a challenge which would have to be taken up, and the speeches made that morning were obviously drafted to gain time for a further exploration of the British case. At a reception given by the Dutch Government the previous evening my "bomb-shell" was almost the sole topic of conversation, and amongst neutrals the feeling was frankly expressed that the Conference would have to face up to the facts, and that a little plain speaking had been introduced into an International Conference which had been strikingly absent from the proceedings of previous Conferences.

The French and Italian Press were most violent in their remarks upon my speech, and were insistent that no sacrifice of the advantages which France and Italy derived from the Young Plan should be made.

On the next day (Thursday, 8th August) the Conference went into Commission. It had not been my intention to speak at the first meeting of the Finance Commission, but events made it necessary that I should make a second speech and repeat in stronger language the demands of the British Delegation. It had come to our knowledge that the statement was being widely circulated that I was simply bluffing, and that a strong line of opposition would expose the bluff. The Chairman of this Finance Committee really precipitated my second speech by proposing the setting up of a number of sub-committees to draft a protocol for the putting of the Plan into opera-

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tion. This proposal I strongly opposed, and said that until the Conference had come to a decision upon the three demands made by the British Government it was useless to proceed to other business. I took advantage of this opportunity, also, to reply to the speech which had been made by M. Chéron the previous day in the plenary session. The following is a summary of the remarks I made on this occasion:

“Mr. Chairman, I quite agree with what you have said that it will be desirable to draw up a programme for the consideration of the Sub-Committees after we have got an idea of the points to which the Commission attaches importance. The Commission will be aware from what I said the other day that there are two or three matters arising out of the Report to which the British Government attach supreme importance, and indeed I may emphasise what I said the other day by declaring now that the British Delegation must have an assurance that the three main points I raised the other day, namely, the distribution of the annuities, the unconditional part of the annuities and deliveries in kind, must be considered and some decision must be reached *before the British Delegation can take part in the discussion of any further matters arising out of the Report*. The Experts’ Report says in two or three places that the Government must accept the Young Plan in principle before they proceed to the appointment of certain Committees, such as the Committee to deal with the alteration of the German Laws and the Bank project, and one or two other matters.

“I hope my remarks will not be regarded as being in the least offensive if I say that there was no reply whatever given to any one of the arguments which I advanced, and no figure which I gave was challenged. Indeed all the speeches which were made yesterday purporting to be criticisms of my speech might be summarised in one sentence, namely, that we must accept the Young Report as a whole, that it is indivisible, that if any changes are made in the Report the whole structure will fall. . . .

“In regard to the first of these points we do not accept the statement of the Experts that the Report is indivisible. If that were so we should not be here at all. . . . But all the changes we have asked for could be made within the structure of the

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Plan without in the least undermining the foundations of that Report.

"What were the sacrifices to which M. Chéron referred, namely, that the amount of the annuities will be smaller than the amount which was fixed under the Dawes Plan. But I do not call that a sacrifice at all, because we are not making a sacrifice when we are giving up something which we should never have received. This is not a sacrifice at all, and even if it were a sacrifice it is a sacrifice which every one of the Creditor Powers is called upon to share proportionately. The French Finance Minister went so far as to claim as a sacrifice the loss of the prosperity index. That again is no sacrifice at all, but if we are to talk about sacrifices here then I have to say something about the sacrifices which the British Empire has made. As a matter of fact there is not a single one of the countries which were engaged in the War which has made anything at all approaching the financial sacrifices which Great Britain has made. . . . We have a war debt now of £7,500,000,000, which is more than double the war debt of any other nation which was engaged in the War. The taxation of our people is double per head of our population than of any other country that took part in the War. I have to provide 125,000,000 francs every day of the year for the service of our war debt."

I dwelt in considerable detail with the magnanimous character of our settlements with our late Allies, and laid stress upon the following fact:

"As a matter of fact, we settled with Italy a debt of £560,000,000 for a present value of £78,000,000, and if the proposal made in the Young Report were carried into effect we should have to sacrifice to Italy another £30,000,000 of that £78,000,000. Therefore all that we should get from Italy for a loan which at the time of funding amounted to £560,000,000 is in effect no more than £48,000,000.

"Therefore, if as a result of this Report we were called upon to make certain sacrifices, we should be perfectly within our moral rights if we insisted on a reconsideration of our present debt arrangements with them."

Turning to the distribution of the annuities, both conditional and unconditional, I repeated that

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“The Young Committee had no right whatever to interfere with the Spa percentages ”

I concluded by saying:

“*We must have a decision upon these questions before we proceed any further*, and I wish to submit to the Commission a Resolution on this matter for which I shall ask approval . . .

“I have behind me the unanimous support of my Government, the support of the House of Commons irrespective of Party, and the support, I believe, of the whole of the people of Great Britain. Upon this matter I am speaking quite frankly. We cannot compromise . . .

“The Young Report states that before it can come into operation it must be ratified by the Governments concerned, and I want to tell this Conference that the British House of Commons will never ratify this Young Report in the form in which it is at present. Suppose that we here were to accept it, supposing the British Government were to accept it, what would happen? We might go back to the House of Commons and submit it to the House of Commons, but the House of Commons would not accept it, the country would not accept it, and therefore all the work would have to be begun all over again, and I am quite sure that that is a situation which every one of us would deplore, and every effort should be made at this Conference to avoid such a catastrophe as that.”

I submitted the following Resolution:

“That a Sub-Committee of Treasury Experts should be appointed to consider and submit proposals for the settlement of any questions raised in regard to the amount and the method of payment of the annuities provided for in the Young Plan, and (without the German representatives) to revise the scheme of distribution of these annuities so as to bring it into accord with the existing inter-Allied agreement.”

This speech, as might have been expected, “put the cat among the pigeons”, and drew excited replies from the French and Belgian and Italian Delegations. In none of the speeches was any attempt made to deal with the arguments and statements I put forward. They were in

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the main a repetition of the phrase—" the Young Report is an indivisible whole and we cannot admit any alteration of its recommendations ".

At the end of this meeting of the Financial Commission the divergence between Great Britain and the other Creditor Powers had become so marked that it was decided to adjourn for two days to see what might happen in the meantime. I agreed to this adjournment only on the condition that the next session should be devoted to a continuance of the general debate, and that Mr. Graham's speech on Deliveries in Kind should come first. The debate on Deliveries in Kind at this particular moment was really a time-killing arrangement while private consultations were going on behind the scenes on the questions I had insisted should be dealt with before other matters were discussed.

At this meeting, on Saturday the 10th, Mr. Graham made a clear statement of the British position on Deliveries in Kind. Mr. Graham's speech was moderate and persuasive, and it made a distinctly favourable impression upon the meeting.

At the conclusion of this speech, ignoring the fact that it had been agreed to confine the business of that session to the subject raised by Mr. Graham, M. Chéron rose, and without any remonstrance from the Chairman, said that he proposed to reply to the speech I had made two days before. He innocently confessed that he was doing this because the French Press had attacked him on account of the weakness and inadequacy of his earlier reply. This turn in the proceedings of the Commission had taken me completely by surprise, but I could not quite allow M. Chéron's speech to pass without an immediate reply. M. Chéron had read his long speech, and he evidently did not expect that I should reply to him at once. I was getting rather impatient with this constant repetition of

August 28th, 1929.

COSMOPOLITAN THEATRE · THE HAGUE.

SNOWDEN
IN



MANNON!



SNOWDEN
AS
The IRON CHANCELLOR.



SNOWDEN
IN
The OGRE of THE HAGUE.



SNOWDEN
IN

The Mailed Fist.



SNOWDEN
AS

MEPHISTOPHELES



SNOWDEN
IN

Reproduced by permission of the Proprietors of "Punch."

THE MAN WHO CREATED A FURORE.
MR. SNOWDEN. "They never guessed at home how versatile I am."

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statements which were no answer to the case that I had put forward, and I did not spare M. Chéron on this occasion. It was in the course of this speech that I used the expression which became notorious, and which M. Chéron has not lived down to this day. The following is an extract from what I said:

"I hope that I shall not be considered discourteous if I say that M. Chéron's speech has taken me somewhat by surprise. I understood that the sitting was to be devoted wholly to the question of Deliveries in Kind. But M. Chéron has replied to what I said when I spoke on Wednesday. Had this been a continuation of the general debate on the whole Plan, I should have had no complaint to make about the nature of M. Chéron's intervention this morning.

"I am not going to follow M. Chéron in the points he has made, and particularly in the figures he has submitted to the Committee. I will practically confine myself to saying that I do not accept the accuracy of a single figure M. Chéron has put forward. If this were the occasion for going into details on this matter I should refute every one of the constructions which M. Chéron has placed upon his figures. It is not true to say that Great Britain did not suffer, in the proposed distribution, under the Young Plan in comparison with the distribution which she received under existing agreements. I hope that the word will not be considered offensive, but M. Chéron's interpretation of the Balfour Note is grotesque and ridiculous to anyone who understands its full character.

"It is no good going on arguing the question day after day in the Committee, one side repeating its arguments and the other side repeating its claims. It is high time that we came to grips with this matter. I have not come here to spend the rest of my days at The Hague. I want to get back to my own country. I am as anxious as any member of the Committee to come to an agreement which will be mutually satisfactory and which will place this vexed question upon a permanent foundation. But there can be no settlement unless it is a settlement based upon justice. This general debate will have to come to a close very soon. My resolution is before the Committee, and I cannot delay a decision upon that resolution very much longer."

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At the close of my speech a number of delegates rose to continue the discussion, but the Chairman was of opinion that the atmosphere had become so electric that it would be well to adjourn the Conference until the debate could be continued in a calmer spirit.

After the adjournment of the Conference there was a violent reaction on the part of the French to the words "grotesque and ridiculous" which I had used in describing M. Chéron's interpretation of the Balfour Note. Although these words were not used by the interpreter in translating my speech into French (he had translated in their place the milder expression of "wholly inaccurate"), the actual words I had used became known. They were seized upon by the Press correspondents, and were prominently displayed in the Paris Press next morning. This storm was apparently due to one of those differences in the precise meaning in the two languages of words which are identical in form. But I learnt afterwards that the reason why M. Chéron was so indignant at the use of this expression was because he was habitually cartooned by his political opponents in the French Press in the character of a clown.

A story is told that during a recent political crisis in Paris, there was a demonstration of students in protest against the part M. Chéron was supposed to have taken in overthrowing the previous Government. During this street demonstration the students encountered M. Chéron, seized him, and compelled him to sit down in the middle of the street. They drew a circle round him, and danced around singing: "You are grotesque and ridiculous!" Only those who know M. Chéron could imagine the full humour of that situation.

During that week-end I had a visit from two of M. Chéron's seconds, who came to demand from me an explanation of my language. I had no difficulty in

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assuring them that the words in English had not the offensive meaning they had in French, and were a common Parliamentary expression. At a meeting of the principal delegates next morning, called for other business, there was a delightful exchange of courtesies between M. Chéron and myself which cleared up this incident and put everybody into good humour once more.

That same Saturday afternoon an embarrassing episode occurred which might have had the effect of breaking up the Conference altogether. It appears that on this Saturday afternoon in Edinburgh Mr. MacDonald had had a long interview with two international bankers, who had impressed upon him that there was a danger that my opposition to the French might lead them to take retaliatory action against Great Britain by withdrawing French francs deposited in London.

At the end of this interview Mr. MacDonald sent the following open telegram addressed to "The Treasury, London."

"Prime Minister, Edinburgh to Treasury.

"Most Urgent.

"Send to Chancellor at Hague in code immediately.

"My information is worsening from all sides: even an adjournment strikes in minds of important people an ominous note. I am relying upon three of you before break occurs to get into touch with me and perhaps we could arrange to meet before any action for adjournment is taken or if you prefer that one of you should meet me in London.

"PRIME MINISTER."

This telegram reached the Treasury at three o'clock on Saturday afternoon. There was no responsible official at the Treasury on duty at that time, and the telegram fell into the hands of a young clerk who opened it. He

discovered that the telephone girl on duty was not in possession of a copy of the code, so he rang up the British Delegation at The Hague, and he read the contents of the telegram to an official of the British Delegation there.

When it became known to us that this telegram had been telephoned to The Hague *en clair* we were staggered at the possible consequences. It was well known to us that the telephone lines were being tapped, and it was highly probable that the contents of this important message would soon be known to all the Press correspondents at The Hague. As a matter of fact, the newspapers next morning had an account of the long interview between the Prime Minister and the bankers in Edinburgh. If this message from him to me became known to the delegates of the other Powers it would confirm the widespread impression that I was simply bluffing and had not the support of the British Government in insisting upon the demands I had made.

I immediately sent the following message to the Prime Minister. After quoting the terms of the telephoned message, I said:

“This message was read over the telephone *en clair* by some officer in London to a junior Foreign Office official at the Delegation Office here. It looks as if a serious error of judgment has been committed in London and this I am investigating at once. But in the meantime I should like to know whether your telegram from Edinburgh to Treasury was also sent *en clair*. The consequences of any leakage of this message may be disastrous. So far my main task has been to convince the foreign delegations that I am not bluffing and have been speaking with the full authority of His Majesty's Government and with the complete approval of the country at large. Yesterday there seemed every indication that this lesson had at last been learnt and distinct signs of cracking have been shown by both French and Belgians. To-day, as appears in the letter which I had already written before this telephone message was received and which goes by to-night's bag, there has been a very marked

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stiffening. The reason for this I have not so far discovered. Of course, the fact of this message having been sent and its tenour are bound to become known to other delegations, and I very much fear that my task of reconciling the Young Plan with British interests has become almost impossible. The only chance seems to me immediate issue by you of a statement that I have the fullest support both of yourself and of every member of the Government in the position which I have taken up and which I intend to maintain."

The Prime Minister responded immediately with this communication :

"The Financial Commission will make a most serious mistake and may wreck immediate prospects of a settlement unless they understand quite finally that the Experts' Report requires readjustment to meet the just claims of this country. Irrespective of party or section the country supports the case you have made. Every newspaper so far as I have seen backs you. All parties in House of Commons stand by you. I hope most sincerely your colleagues on the Financial Commission will see that they have to face a position when the most elementary considerations of fair-play as between country and country compel a reconsideration of some of the recommendations of the Report. Our action hitherto in promoting the settlement of Europe on a basis of good-will is a proof that we wish this Conference to succeed both on its political and financial sides, but we have reached the limits of inequitable burden-bearing."

On the receipt of the Prime Minister's communication I got in touch with M. Jaspar, and told him that I proposed to read this at the meeting of the Financial Commission to be held on Monday. M. Jaspar, however, urged that I should not do this as "the patient is so weak that this will kill him". I gathered from this remark that the foreign delegates were still under the impression that I was bluffing, and that to be suddenly disillusioned might give them a fatal shock. However, I did not wait until Monday, but gave the Prime Minister's message to the Press at once, and it certainly produced a

marked effect upon the French delegates. For some days previous there had been rumours among the Press correspondents that M. Briand had appealed to Mr. MacDonald to come to The Hague and take charge of the British Delegation, or, failing that, M. Briand was in favour of an adjournment of the Conference to Geneva in the hope that Mr. MacDonald would be more amenable. On Monday, however, it became clear that Mr. MacDonald's original telegram had leaked out, and among the Press correspondents there was a general talk to the effect that a private message from the Prime Minister had been received instructing the British Delegation to climb down. The intractable attitude of the foreign delegates during the whole of the following week was undoubtedly due to their knowledge of the Prime Minister's first telegram.

At the end of the first week of the Conference the outlook was black. The French, Belgian and Italian delegates showed no disposition to meet us on the demands I had put forward. It had been arranged that the Financial Commission should resume its meetings on Monday (12th August) to continue the debate on Deliveries in Kind. But it was realised that this was a mere pretence to keep the Commission in existence. In these circumstances it was felt that if any progress was to be made on the matter which was holding up the Conference the principal delegates would have to meet privately and discuss the situation. At my interview with M. Jaspar on Saturday afternoon I suggested that the principal delegates should meet on Sunday morning to talk over matters. The meeting was to be strictly private, and no secretaries or officials, apart from the Secretary-General, should be present. But before this meeting took place I had arranged with M. Jaspar that the British, French, Belgian, Italian and Japanese Experts should meet informally to discuss how the British claims could be met. This was

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the first real advance in the way of acknowledging the substance of the British claims. The Sunday morning meeting, therefore, was of a perfunctory nature, the only incident of importance being the clearing up of the misunderstanding about the "grotesque and ridiculous" incident, and the exchange of courtesies between M. Chéron and myself. The meeting, however, was useful as it put everybody in a good humour and restored a favourable atmosphere.

The informal meetings of the Experts began at once to consider in what way the demands of the British could be met. From that time the Financial Commission practically ceased to function, and all the negotiations were carried on privately between the principal delegates. The Financial Commission was adjourned indefinitely until the Chairman might consider it necessary to call it together.

There were between thirty and forty delegates of the Minor Powers at the Conference, and scores of officials and experts, and they were left with nothing to do but kick their heels and await the outcome of the private negotiations which were going on.

The Political Commission, of which Mr. Henderson was Chairman, and which was concerned with the question of the evacuation of the Rhineland, was also in a state of suspended animation, as the French insisted that this question must be held over until the decision had been reached on the Young Plan.

The Committee of Experts got to work at once on the Sunday afternoon. The chief British official on this informal Committee was Sir Frederick Leith Ross, to whose ability and profound knowledge of the whole problem, and his skill in negotiating, it is impossible for me to pay too high a tribute. This Committee continued its discussions until late on Sunday evening and throughout the following Monday, Tuesday and Wednesday. At

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no stage, however, did the representatives of the other Creditor Powers make any serious offer. One cause of the difficulty in coming to grips with the problem was the selection of the Experts of the other Creditor Powers. The French, Italian and Belgian representatives at this Committee had all been members of the Young Committee, and they seemed to regard their duty to be to maintain the inviolability of the Young Report. Throughout the three days the consultations were carried on, the representatives of the other Creditor Powers declined to make any concessions worth considering. Such offers as they did make were simply derisory, and by Tuesday evening it became clear that nothing practical was going to emerge from the consultations of the Committee.

When the failure of this Committee to reach any conclusion was reported to me, I got into touch with M. Jaspard, and expressed my views strongly about the way in which the representatives of the other Creditor Powers were treating our demands. Following upon this conversation, next morning (Wednesday, 14th August) I addressed the following letter to M. Jaspard:

"DEAR M. JASPAR,

"Referring to my remarks to you about the deadlock on the Committee of Treasury Experts, I repeat that I must press for a definite decision on the points I have submitted to the Conference at an early date. I agree that it might be best to have a talk to-day among the Heads of the other Creditor Powers, and if they desire I will submit my proposals, which are definitive, in writing, but they are known to you. The time has come for a decision, and I expect this by Friday evening, or the session on Saturday will be futile.

"I repeat that on the matter of distribution I cannot accept anything less than the restitution of our share under existing agreements.

"I am very anxious that we should arrive at a friendly agreement.

"Yours sincerely,

"PHILIP SNOWDEN."

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The delegates of the other Creditor Powers acted upon the suggestion contained in this letter, and by midnight on Friday M. Jaspar handed to the Secretary-General a letter addressed to me covering proposals to the British Delegation by the other Creditor Powers. They had evidently been working very hard, for the memorandum of proposals accompanying M. Jaspar's letter was a lengthy document. It transpired that the other Creditor Powers had had some fears about the reception which would be given by me to these documents, and that was the reason why they were sent to the Secretary-General instead of direct to myself. It also came out that on the previous day M. Chéron and M. Loucheur had approached the Secretary-General to sound him informally as to whether any proposals they put forward would be acceptable as a basis for discussion. This form of approach to me, however, was not adopted, and on enquiry from M. Jaspar what the actual intention of the Four Powers was, the Secretary-General was informed that the document must be regarded as non-confidential, but not to be published without a fresh instruction. If, however, the Memorandum contained an acceptable basis for discussion, then further consultations could take place.

The British Delegation met immediately to examine these proposals from the other Creditor Powers, and it was at once realised that the document was so wholly unsatisfactory that it could not be accepted as providing even a basis for discussion. After this decision of the British Delegation I saw M. Jaspar at four o'clock the same afternoon and told him that I had received his letter and the Statement from the other Creditor Powers, and I wanted to have a few words with him before I sent the reply which was being prepared to it. I said that I thought he would not be surprised to hear from me that the Statement was quite unacceptable, and that it made no advance,

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indeed in some respects it was less satisfactory than the talk between the Experts in the early part of this week. I wanted to speak to him quite frankly, and at the moment between ourselves. I did not press him to give me a categorical answer to my question, but I would like to know whether I was to regard this Statement as the last word. He threw up his arms and said: "Well, I do not know. It is difficult for me to say that." To this I replied: "Quite right! Your gesture is perhaps the best answer I could have. So I will not press you any more."

He then went on to say that I must not regard it as their last word, and indicated that he was not at all satisfied with it, and added that if it rested with him there would be little difficulty in coming to an agreement. He was very anxious that there should be further time for conversations, and implied that if they were given more time they might go further. He also said that if it rested with the French he thought that they and the French could work together and do something more satisfactory, but the Italians were the difficulty. I suggested that the Japanese might help him, as they were in a much more independent position. He replied that he had already seen the Japanese, and that they would help. I then went on to say that I had put that direct question to him as to whether this was their last word because, if that were not so, I did not wish to prevent them from having further time for consideration.

That raised the question of the meeting of the Financial Commission which had been fixed for next day, and I put the proposal to him that he might send out notice postponing the meeting until Monday. He very readily fell in with the suggestion. We agreed that he might intimate on the postponement notices that no date could be fixed for the next meeting. He left me, expressing his desire and intention to do all he could to bring about a settlement.

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After my interview with M. Jaspar, the British Delegation met again the same evening (Friday, 16th August) to approve the reply and the covering letter which was to accompany it. Our reply was a very lengthy document, extending to over two thousand words, and it is not necessary either to reproduce it here or even to summarise it, as it was in effect a restatement of the British demands. But the following is a copy of my covering letter:

“DEAR M. JASPAR,

“My colleagues and I have read with much disappointment the Memorandum that you sent me this morning. This Memorandum, so far from representing any advance towards meeting our point of view, merely repeats in a quite vague and tentative manner suggestions which our Experts discussed informally some days ago, and which I then rejected as quite inadequate. I need not go into details in this letter, but they are set out in the Memorandum which I enclose herewith, and which I reserve the right to publish should circumstances at any time make it desirable to do so.

“If the Conference is to arrive at the successful result which we all hope for, it is essential that the other Creditor Governments should make a further and more serious effort to meet our position. We are claiming no unfair advantages; we are simply asking that the rights to which we are entitled under existing agreements should be respected. For this purpose means must be found—

- (a) To restore to Great Britain (by means either of annual payments or an equivalent capital sum) the £2,400,000 a year which she loses under the distribution proposed by the Experts; or more precisely £2,000,000 a year, in addition to the adjustment required to provide debt cover in the current year; and
- (b) To assure to Great Britain a share approximating to, if not fully equivalent to, the British percentage of the unconditional annuities.

“The questions of deliveries in kind will, I hope, be found capable of arrangement, but it should be understood that we are

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not prepared to abandon the financial rights to which we are entitled in return for any concessions on other points.

"Believe me,

"Yours sincerely,

"PHILIP SNOWDEN."

This letter and the accompanying Memorandum were handed to M. Jaspar's secretary at midnight that day. M. Jaspar had retired to bed after an exceptionally arduous day. This brief recital of the events of one day will give some idea of the pressure under which the principal delegates were working. The Secretary-General and his staff and the principal officials of the respective Delegations were given no rest, and I often wondered during these days how they managed to keep going at such a pace.

On the next day (Saturday, 17th August) the delegates of the other four Powers were in conference considering our letter and Memorandum, and about nine o'clock that evening M. Jaspar called to see me. I had asked Mr. Graham to be present at this interview. M. Jaspar handed a Memorandum containing a proposal that the "technicians" attached to the interested Delegations should meet to determine the various allocations proposed in their previous Note. In view of the inadequacy of the offer and the failure of the previous Expert conversations, Mr. Graham and myself had some hesitation in accepting this proposal. We felt, however, that it would be undesirable to risk a break-down of the Conference until further opportunity had been given for expert or other review of the available documents. We therefore agreed to M. Jaspar's proposal, on condition that there must be no going back on the central points of the British claim, and that the experts selected should not include any

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persons who had been members of the Young Committee; and, further, that this enquiry should not be made an excuse for further delay. M. Jaspar accepted these conditions for himself, and undertook to consult the other Creditor Powers, who also agreed with them.

Sunday (18th August) was a comparatively quiet day. The weather during the whole time we were at The Hague had been remarkably fine. I took advantage of a brief respite to see something of the interior of Holland, and my wife and I took a long motor drive, which included a visit to the cities of Utrecht and Leyden. We were much impressed by the appearance of prosperity everywhere, and with the cleanliness of the towns through which we passed, and the evidences of a thrifty and hard-working population which were to be seen. On my return I learnt from Sir Maurice Hankey that no further crisis had developed during my temporary absence from The Hague!

The situation at this time was undoubtedly very grave. We expected no result from the meeting of the Experts, and this expectation proved correct, for, after working for two days, they produced a Report which in no respect altered the situation. The Conference now had been more or less in existence for a fortnight, and we had to seriously consider the possibility of a complete break-down of the negotiations. I may say here that during all the difficulties which we had met with in the previous fortnight I never really believed that the Conference would come to a break-down. The French, Italians and Belgians had far too much to lose by the rejection of the Young Plan to persist to the end with their opposition to any concessions being made to the British demands.

On the Monday morning (19th August) the British Delegation met to take a review of the position and to

examine the possible developments. Up to that time we had acted strictly in accordance with the instructions we had received from the Cabinet before we went to the Conference. We realised that within the next few days a situation might develop which would require further consultation with the Cabinet, and to meet this possibility a full statement of the case was prepared and submitted to the Prime Minister. We pointed out, however, that the situation changed from day to day, almost from hour to hour; and, therefore, we could only be prepared for anything which might happen without at the moment deciding definitely on a course of action.

On that Monday evening, however, an incident happened which gave a new turn to events. Throughout all the negotiations which I have described, Mr. Adatci, the principal Japanese delegate, had acted as an intermediary, using his influence to try to reconcile the conflicting views. On the previous Friday, just after the Note from the other Creditor Powers had been received, Mr. Adatci and a Japanese colleague asked for an interview with me. Mr. Adatci explained that the Japanese Expert had collaborated with the Experts of the other principal Powers in drawing up this Note; but Mr. Adatci wished me to understand that, owing to the distance, it had been impossible for the Japanese Delegation to consult their Government, and they had informed the other Powers that they must reserve complete liberty of action. They intended to keep their hands free so that they could join either the one party or the other, and their object was to assist in every possible way to concert the conflicting views of the other Powers and thus secure a successful outcome of the Conference. Their relations with Great Britain had always been close and friendly, and they would be particularly glad if they could at any time be of service to the British Delegation. They hoped that if the occasion arose

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I would not hesitate to call upon them. I thanked Mr. Adatci warmly for his offer, and expressed my great appreciation of the motives which had inspired it.

During the week-end Mr. Adatci had not been idle, and he had taken a step which turned out to be of very great importance and which contributed in no small measure to the eventual settlement of the disagreements.

On Monday evening I received an invitation from Mr. Adatci to meet M. Briand and M. Loucheur the following day at tea in Mr. Adatci's hotel. This friendly meeting took place on Tuesday, the 20th August, at 4 p.m. The conversation between M. Briand and myself was of a most gratifying character, and was carried on in a most friendly spirit.

After this meeting M. Loucheur called at my hotel, evidently at the request of M. Briand, and he explained that M. Briand had been deeply impressed by the determined manner in which I had insisted that we must have satisfaction as regarded the Spa percentages. Both M. Briand and himself felt that it would be a tragic thing if the whole plan of the Conference broke down about the question of two millions. If the Young Plan had been still under discussion privately the French Government would have had no objection to altering the table of distribution; but, now that it had been published, any change in that table, he was afraid, in view of French public opinion, was out of the question. They were prepared, however, to arrange some compensation to Great Britain for the loss she had suffered without altering the table of the Plan; and they were trying their best to see what could be done in this way. France was prepared to guarantee to Great Britain half of the loss we complained of, and they would pay this either by means of an annuity or in a capital sum. As regarded the balance of the deficit, M. Loucheur suggested that we might arrange as best we

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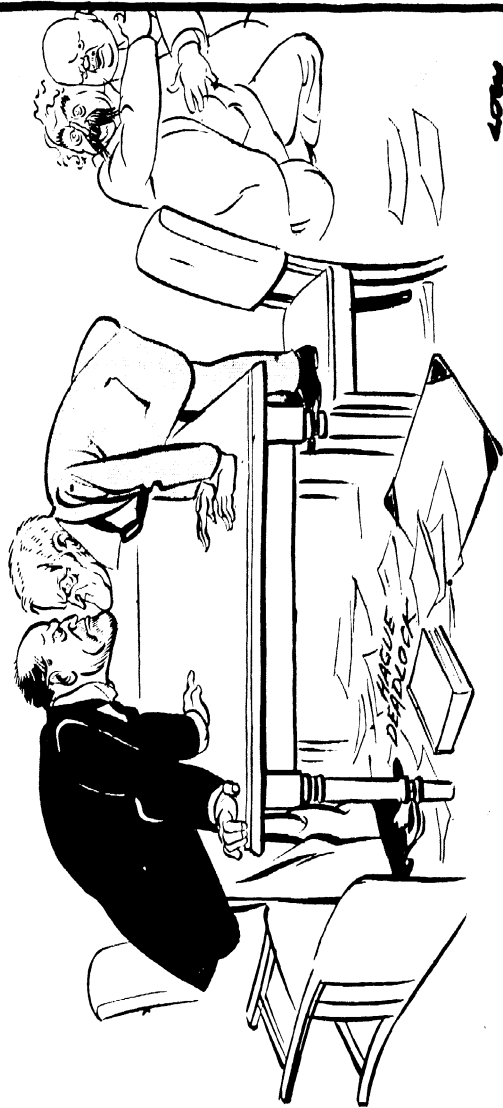
could with the Italians, and he was under the impression that the Italians, if pressed, would be prepared to make some contribution.

Later, I saw M. Pirelli, the principal Italian delegate, but he declined to make a substantial advance beyond an offer to co-operate in putting through a general settlement of the debts for liberation and ceded properties, and to allocate to us an unspecified proportion of any rights that Italy might obtain from Czechoslovakia under such a settlement. M. Pirelli was not a free agent in this matter, and he evidently was working under strict instructions from Mussolini, who was opposed to Italy surrendering any part of the unmerited advantages offered to her under the Young Plan.

Notwithstanding the difficulty with Italy, I felt very much encouraged by the outcome of my conversation with M. Briand and M. Loucheur. I got into touch with M. Jaspar, who I found was still extremely anxious for a settlement. He said his difficulty was that the other Creditor Powers did not know what I was prepared to accept; and I said that if he could induce the Italians to make an offer similar to that of France and Belgium we could begin to talk business. My tea-table talk with M. Briand undoubtedly did improve the relations between the French Delegation and ours, and henceforth my conversations with them were of a very cordial nature.

Nothing of material importance happened during the next three days; but on Thursday, the 22nd August, we had a meeting of the delegates of the six Powers, and it was decided to push on immediately and uninterruptedly with conversations in regard to the British demands with a view to reaching a decision. These conversations resulted in a fresh offer by the other Creditor Powers, which was communicated to the British Delegation at midnight the same day. Again the offer was regarded by us as

THE IRRESISTIBLE FORCE MEETS THE IMMOVABLE OBJECT.



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A CONFLICT OF CHINS.

August 22nd, 1929.

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inadequate. The estimate of the other Creditor Powers was that it would give us £1,430,000 annually. The British Delegation met at ten o'clock on Friday morning and agreed to my view that the offer was quite unacceptable.

M. Jaspar was undismayed by the failure of this and all the previous offers to satisfy the British Delegation, and he begged that he might be given a little more time to produce "a final offer". So we agreed to postpone further meetings over the week-end.

In view of what seemed now a strong probability that we should come to a break-down within a few days, acting upon our instructions from the Cabinet we telegraphed to the Prime Minister, suggesting that some of the members of the Cabinet might come to The Hague for a consultation on Sunday, the 25th August. There were two courses open to us, to both of which considerable objection might be raised. The Delegation might return to London—but we felt that if we did that it would risk the disruption of the Conference. On the other hand, for the Cabinet to come to Holland would undoubtedly cause great excitement, and would give the other Powers the impression that we were weakening in our determination. During the week-end the other Creditor Powers were preparing their final offer, and it was certain that if it became known that the British Cabinet was meeting in Holland their offer would be affected adversely.

We placed the whole position before our colleagues in London, and they agreed with us that it would be inadvisable for any of them to cross to Holland. The decision in the last resort was left to the Delegation. Nothing, however, that happened could be kept secret, and on the Sunday morning the Dutch newspapers came out with sensational stories that the British Cabinet was secretly meeting in Holland. This information appears to have

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leaked out from London, for the reports in the Dutch newspapers were attributed to an English source. It came to our knowledge that the Note which the other Creditor Powers were preparing, and which had been finished on the Saturday night, was rewritten on Sunday morning when this sensational news about the British Cabinet coming to Holland became known. These Powers had evidently assumed that there were divisions in the British Cabinet, and that if they took a firm line they would force the acceptance of their terms. This new Note was not delivered to us until eight o'clock on Monday morning, and I at once called the other British Delegates and our Experts into consultation. The Note was submitted to careful examination, and to our surprise it made no substantial advance on the previous offer, and was in fact merely a repetition of it.

At two o'clock that afternoon I sent this letter to M. Jaspar as the agreed reply of the British Delegation:

"August 26th 1929.

"DEAR MR. JASPAR,

"We have received your communication of the 25th August conveying to us the reply to my letter of the 23rd August in which I asked for a definite settlement in writing of the final proposals which the other Creditor Powers were prepared to make.

"The British Delegation have considered your Memorandum, and they note with regret that it shows no appreciable advance on your previous offer and is altogether inadequate.

"Yours sincerely,

"PHILIP SNOWDEN."

I heard indirectly that M. Jaspar felt some annoyance at the brevity of this reply and the rapidity with which it had been dispatched after the other Powers had spent so much time in drafting their Memorandum. It was

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explained to him that the British Delegation saw no useful purpose in going over the same ground time after time, and the only long reply the British Delegation could have made to this last Note would be to repeat what they had already stated at great length.

I had a considerable amount of sympathy with M. Jaspar, because I felt quite sure that the tenor of this last Note must have been a disappointment to him, and represented the failure of his efforts to induce his colleagues to make some further concession. When M. Jaspar had cooled down he admitted that there was some justification for the tone of our reply.

At eleven o'clock on the morning we had received this last Note, Mr. Adatci called to see me. He said that he assumed that I had received the Memorandum containing the proposals drawn up by the other Creditor Powers for the satisfaction of the British claims. He wished to explain the position of Japan in this matter. 'The Japanese Delegation had attended the discussions as an observer, and they had offered their advice, but did not take part in signing the Memorandum and did not associate themselves with it. He had explained this to the representatives of the other Powers, and had obtained their consent to making this declaration to the British Government as a matter of loyalty. He further explained in order to assist at a settlement the Japanese Delegation had agreed to rebate the $7\frac{1}{2}$ million reichmarks which they had received during the past five months of the Dawes Annuities. I thanked Mr. Adatci for his statement, and said that the Memorandum was even less satisfactory than the verbal proposals made last week. The other Creditor Powers knew quite well that an offer on these lines must be unacceptable, and that it was a waste of time to put it forward.

I told him that I had expected that if the new proposal

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did not satisfy our full demands it would at least represent a substantial advance on previous offers, which might furnish the basis of a new agreement. As a fact, the Memorandum actually closed the door to any agreement. Mr. Adatci said that he did not regard this last Note as a final offer. The other Creditor Powers were prepared to make further concessions, but they wanted to know what was the Chancellor's minimum. I replied that if the other Creditor Powers had made a substantial advance towards meeting our views we might have been able to say what we would in the last resort take, but I could make no suggestion upon the basis of an offer such as that contained in the Memorandum. Mr. Adatci said that he feared that we were very near a break-down at the Conference. The other Ministers were so tired that nothing could be done that morning.

In the evening of the same day Mr. Adatci paid me a further visit. It was quite evident to me that he was acting as a friendly intermediary between the parties. He told me that he had been informed that the French Council of Ministers had met that day, and had decided that the proposals put forward in the Memorandum of yesterday represented the last word so far as France was concerned. Public opinion in France would not allow their delegates to go any further. Mr. Adatci enquired whether it would be any use trying to get the other Powers to put up a proposal which would increase our share from 60 per cent. to 70 per cent. I did not wish to put Mr. Adatci into a difficult position, and to encourage other people to put forward such an offer in the belief that it would be accepted.

I was very much encouraged by these visits from Mr. Adatci, because it was quite evident that the other Creditor Powers were prepared to make a substantial advance upon the proposals in the offer put forward in their latest Note.

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Three hours after we had received this new Note, M. Jaspar summoned the Secretary-General and asked that the details of the new Note should not be published. It would be very disastrous if the details leaked out, and would make further progress at the Conference impossible. It was quite clear to me from this that the authors of this Note did not wish it to be regarded as their final offer. The Secretary-General reported this request to us, and we agreed to the desire, without any hope that it would be kept. As matters turned out, two hours later the Press men were in possession of the contents of the Note, including even the figures, which they have said they derived from French sources. A late edition of the London morning newspapers of the same date, which arrived later in the day, showed that the information had been extracted by the journalists from experts who had drafted the Note. As a matter of fact, the Press were in possession of the full details of the Note twelve hours before it had been received by the British Delegation!

I got into communication with M. Jaspar at once, and said that in view of this disclosure I felt free to give the substance of the Note to the Press so that the public could have it officially. M. Jaspar, still so anxious that the Note should not be regarded as the final offer, pressed me to see that any commentary upon it should not be put in such a way as to indicate that the Conference was about to break down.

After the receipt on Monday (26th August) of this unsatisfactory Note from the other Creditor Powers, the deadlock appeared to be complete. The Conference had now been sitting for three weeks. For nearly a fortnight there had been no meetings of the full Conference. The private negotiations between the principal delegates had, so far, resulted in no offer from the Latin Powers which the British Delegation could regard as in the least satis-

factory. They themselves admitted that their offer did not represent more than 60 per cent. of the British share of the Annuities of which we were being deprived by the proposals of the Young Report.

Substantial progress, it is true, had been made on the political side, and an agreement was almost complete provided a settlement could be reached of our financial claims. The matters of Deliveries in Kind, which had been in the very able hands of Mr. Graham, had also made some progress, though our requirements had not been completely met. In these circumstances the British Delegation at an early meeting on Tuesday (27th August) decided to ask M. Jaspar to summon the heads of the six principal Powers at three o'clock that afternoon, and to arrange for a meeting of the Plenary Conference on the following morning at ten o'clock. When this message was delivered to M. Jaspar we learnt that the French, Belgian and Italian Delegations had just made a similar request to him.

This meeting, which marked the turning-point in the fortunes of the Conference, assembled in a Committee Room of the First Chamber of the States-General at five o'clock.

It had been reported from Rotterdam that the French Delegation had booked the whole of the sleeping accommodation in the Paris Express for that evening.

M. Briand, up to this time, had taken no part in the conversations at previous meetings of the heads of the Delegations and of the proceedings in the Financial Committee and the Plenary Sessions of the Conference. At the opening of this meeting he became the spokesman of the Latin Powers, and rather cleverly tried to put the responsibility for the failure to come to an agreement upon the British Delegation. He spoke of the grave

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political consequences which were at stake, and asked us to soar above the consideration of paltry figures! The difference was so small—not worth the break-up of the Conference!

My reply to this argument was obvious. The deadlock was due to the fact that the other Creditor Powers were determined to grasp an advantage at the expense of Great Britain, and if, as M. Briand asserted, the difference between the other Creditor Powers and Great Britain on this matter was so paltry, the matter could be settled at once if the other Creditor Powers would concede the just demands of Great Britain.

M. Briand, I said, complained that we had never stated the minimum sum that we were prepared to accept. I pointed out that we were justly entitled to the full sum of which we were being deprived, and it was for the others to say how much of that demand they were prepared to concede. The efforts they had made up to the present time, amounting to not more than 60 per cent. of our just claim, did not provide a basis for bargaining. M. Briand had repeatedly admitted the justice of our case, and he had said that if the other Creditor Powers could make a concession to us without altering the Young Plan he would have been willing to do so. It was for them to state their maximum offer, and if that approached to any minimum which the British Delegation might have in mind they would examine it and see whether the gap could be bridged. Mr. Henderson strongly supported the position we were holding, and complained that we could not get the other Creditor Powers to state definitely whether their offer of 60 per cent. was the final offer they could make.

The room was insufferably hot, and it was suggested that we might adjourn for ten minutes to “air the room”. As it turned out, however, the ten minutes were spun out

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to five hours. During this ten minutes' interval the British Delegation remained in the Conference Chamber, and the other Creditor Powers went into another room. The other parties used this short interval to get their heads together.

Within five minutes M. Jaspar returned to our room to say that his friends had been talking the matter over and they were only prepared to advance 60 per cent. But he had declined to return to the British Delegation without offering 70 per cent., which he had achieved. I rejected this offer, and told M. Jaspar that he had done remarkably well in securing an advance of 10 per cent. in five minutes, but I should require him to make an advance upon this.

While these consultations were going on in the other room we were discussing amongst ourselves whether we could help matters by making a definite offer of what we would be prepared to accept. I put down on a half-sheet of note-paper five points constituting our minimum demands. They were:

- (1) Their offer of £1,400,000 to be raised to £2,000,000.
- (2) Some further concession on the non-conditional annuities.
- (3) Coal orders from Italy 1,500,000 tons as a minimum.
- (4) International Bank to be situated in London.
- (5) Existing concessions to be confirmed.

I handed this Note to M. Jaspar, who went away to submit it to his friends. He returned in half an hour with the following counter-offer:

- (1) They were prepared to offer £1,750,000.
- (2) They found a difficulty in granting this owing to the position of the Smaller Powers.
- (3) Italy had been persuaded to increase the coal orders to 700,000 tons.
- (4) They were not willing to discuss the Bank.
- (5) Accepted.

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This proposal was not acceptable to us, and M. Jaspar withdrew to see if he could gain any further concessions. I congratulated him upon the progress he was making, and pointed out that in half an hour he had made very considerable advance. At the same rate he would come up to our minimum demands before midnight.

He returned in a quarter of an hour with a further advance of £50,000. "You are doing first-rate, M. Jaspar," I said; "be not weary in well-doing." During the next two or three hours he passed to and fro between the two rooms, each time bringing some small advance. Before midnight he had come to within £240,000 of the British claim. M. Jaspar was in despair. He said: "What do you say when a horse will not run for your Derby?" "You mean 'scratched'." "Yes", he said, "I am 'scratched'. I cannot do more. You have emptied our pockets." "Go through your pockets again," I said, very kindly, "I am sure you will find enough left to cover what remains between us." "You told me you had a very kind heart," he said. "You are a bit too hard. I have never met a man like you before. You are a new type." I assured him it was out of the kindness of my heart that I wished him to continue his efforts, for I wanted him to have the satisfaction of having saved the Conference. Then someone had a brain-wave! A hitherto undiscovered means of giving us the sum we needed was found, and at midnight our demands were accepted and the Conference was saved!

All this time from noon of the previous day no delegate had had a meal. It was an intolerably hot evening. Swarms of midges and mosquitoes covered the table of the Committee Room. In the interval between M. Jaspar's wanderings from one Committee Room to the other I spent my time murdering hordes of these insects

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as they settled on the table. The delegates were famished. At last some Good Samaritan produced a few dry rolls and some musty cheese, and our lives were saved.

The Germans, who had taken no part in these conversations, were summoned. There was a long wait before they arrived, and when they did Dr. Stresemann was not with them, as the doctor had refused to allow him to leave his bed. For certain parts of the agreement the consent of the German Delegation was necessary. The heads of the agreement at which we had arrived were explained to them so far as they affected them.

At two o'clock in the morning this long and momentous meeting ended. When we went outside we found the square of the Binnenhof crowded with journalists who had been waiting all these hours, and who had enlivened the time by making bonfires of copies of the *Young Report*! The news of the agreement had already been communicated to them, and they were the first to offer their congratulations to the British Delegation.

I got back to our hotel about three o'clock in the morning, where I found my wife in a state of great anxiety about the outcome of this protracted meeting. She was greatly relieved at the good news I had to tell her. She had suffered, like all of us, from the strain of the last four weeks, and was happy that our efforts had at last been crowned with success. Throughout all this time she had been an inspiration and a consoler. No matter how black things might seem, she had a word of hope. She had never despaired of success when success seemed farthest away. Her quiet confidence was an encouragement to us all. Nor was this the only help she gave. She had attended throughout to an enormous mass of personal correspondence, and when I returned to the hotel tired in the early mornings after a day of con-

September 4th, 1929.



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A YORKSHIRE STONEWALLER.

JOHN BULL. (*to the White Hope of L.S.O. Team*). "Well played!"

MR. SNOWDEN. "I wanted the hundred."

JOHN BULL. "Well, eighty-three's pretty useful. Anyhow, it's a lot more than they meant you to get."

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ference she was there waiting for me to see that food and rest were immediately provided.

Three years later the Young Plan, like its numerous predecessors, was found to be unworkable, and is no longer being operated. It may be of historic interest to explain what our four weeks' strenuous struggle at The Hague for British rights gained for the time being.

We claimed an addition to our Annuity of £2,400,000 a year, a fairer share of the Unconditional Annuities, and some improvement in regard to the Deliveries in Kind. The agreement reached on the first of these three claims gave us an increase in our guaranteed Annuities of £2,000,000 a year for thirty-seven years. This payment was to be guaranteed to the extent of £990,000 by the French and Belgian Governments, and £450,000 by Italy. We received at once a lump sum of £5,000,000—the equivalent of an additional Annuity of £360,000 a year. In addition, by a rearrangement of the dates on which the debt payments were to be made to us, we gained an additional sum of £200,000 a year. Of these sums 90 per cent. were guaranteed, and were therefore placed in the category of Unconditional Annuities. This addition may be regarded as a full compensation for that small sacrifice we made from the total of our original amounts. With regard to the second point, we obtained a larger percentage of the Unconditional Annuities. On the third claim, namely, Delivery in Kind, we secured a very substantial advance. These three matters constituted our gains in what I might call the financial and commercial sphere.

The British Delegation were equally successful on the political side, the credit for which is wholly due to Mr. Henderson. An agreement was reached between France, Belgium and Great Britain on the one hand, and Germany on the other, by which the complete evacuation of the

Rhineland was to be effected. The withdrawal of the British troops began at once, and our evacuation was completed before Christmas.

The next three days were spent in winding up for the time being the work of the Conference. We had some trouble with the Germans, who offered a strong resistance to the proposal that they should be asked to abandon a claim to the surplus of the last five months of the Dawes Plan, and to the proposals in regard to the Unconditional Annuities, unless the question of the cost of the Armies of Occupation was settled simultaneously. They had, of course, no claim whatever in a share of the surplus of the Dawes Loan. They proved to be extremely stubborn, and it was not until we had discussed these matters with them the whole of the following day that we succeeded in coming to an agreement with them.

In the course of a conversation I had with the German Ministers, I was astounded to learn that they had been given to understand by representatives of the Creditor Powers that the British delegates desired Germany to undertake additional obligations in order to assist in making good the British losses under the Young Plan. There was, of course, no foundation for this suggestion. I had made it clear from the outset that Great Britain would not accept any concessions to her just claims at the expense of Germany or of the Smaller Powers. I wrote to M. Jaspar on this matter, and he replied:

"It is necessary to lay special emphasis on the fact that, contrary to what you have apparently understood, the German Delegation have never been given to understand that you desired Germany to undertake additional obligations, nor to assist in making good the losses imposed upon you by the Young Plan."

After the final agreement had been reached the British delegates voluntarily sacrificed some share of the Un-

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conditional Annuities to which we were entitled in order that they might be divided amongst the Smaller Powers, and this consideration won for us their ardent gratitude and respect.

It was necessary to hasten the conclusion of the Conference, as some of the delegates had to go to Geneva for the meetings of the League of Nations Assembly. During these three hectic days the officials attached to the delegations worked day and night in order to prepare the Protocol embodying the Resolutions of the Conference and the preliminary schemes for putting the Young Plan into operation from the 1st September. The work of the Conference at this stage would have broken down altogether if it had not been for the energy and skill of Sir Maurice Hankey, the Secretary-General, who, I believe, never went to bed for two nights. The French half of the Secretariat-General was quite unable to do this part of the work, and the result was that the Resolutions of the Conference were laid on the Table in the English language only. This led to a certain amount of suspicion and increased the prevailing irritation.

On Saturday morning (31st August) the Financial Commission met and passed the final Protocol, and the Plenary Meeting followed an hour later. There was no time for an open public ceremony in the presence of the Press and the Diplomatic Corps, nor for long and eloquent speeches which might have been expected on such an historic occasion. A few words of mutual congratulation and satisfaction were offered, and on my motion a warm vote of thanks was accorded to M. Jaspar, who had carried out the arduous duties of President with such conspicuous tact and success. This day happened to be the birthday of the Queen of the Netherlands, and as the delegates passed from the Conference Hall into the stately square

of the Binnenhof a band played the well-known hymn, "Now thank we all our God. . . ."

It had been frequently asserted in the foreign Press that the British Delegation were fighting only for some sordid material gain. It is quite true that we were demanding our just right in the matter of the distribution of Reparations, but behind our insistence upon that right there was a much more important principle involved. Our resistance to the call upon Great Britain to make further sacrifices was an indication that we had reached the limit of our quixotic generosity, and that we should not allow Great Britain any longer to be regarded as the "milch cow of Europe". And still beyond that, and of greater importance, was our assertion of our international rights and of our determination that international agreements should be respected. I am convinced that our stand made a profound impression upon our future relations with other European countries. The rights and the influence of Great Britain in international diplomacy had been re-asserted. We had won the respect of the nations with whom we had been in acute controversy during these four momentous weeks.

Throughout the Conference the personal relations between the British Delegation and those of the other Powers had been of a friendly character, which was a striking contrast to the bitterness of the personal attacks which were made upon me in the French Press. These criticisms were more amusing than irritating. One of the mildest caricatures of myself which appeared in the French Press was one which represented me as the re-incarnation of the men who had burned Joan of Arc, beheaded Mary Queen of Scots, and banished Napoleon!

I am sure that Yorkshire had to bear a measure of the unpopularity which my determined and stubborn attitude

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inspired in the French Press and among the French people. When the Dutch pressmen interviewed my wife to ask her what she thought about these French attacks upon her husband, she quietly remarked: "He is a Yorkshireman, and they do not understand the Yorkshire character." M. Chéron shared M. Jaspar's opinion that I was a new type of diplomatist. M. Chéron was asked from what part of England he would like the British delegate to come whom he might meet in a future international conference. He replied: "Show me a map of England", and when this was done he said: "Where is Yorkshire?" It was pointed out to him, and then he said, pointing to Land's End: "I would like him to come from there."

M. Jaspar remarked at a meeting in Belgium of the British Chamber of Commerce some months later:

"At The Hague recently I had some valuable lessons in English which have given me an irresistible desire to visit Yorkshire. I have learnt how an Englishman defends the interests of his country; I have learnt what it is to be firm, vigorous and expressive."

Before leaving for Geneva, M. Briand sent my wife a beautiful bouquet of orchids, accompanied by a large photograph of himself inscribed "With expressions of admiration and good wishes."

A few days later I received a very warm letter from Mr. Adatci, who had been so useful as a conciliator. He said:

"When on Saturday, August 31st, The Hague Conference adjourned its work, I was obliged to go to the station to take the first train which would bring me direct to Geneva. It was this special circumstance which absolutely prevented me from realising my great desire; I wish to express to Your Excellency all my admiration, as well as my affection for you personally as well as for the attitude you so courageously took up in regard to Great Britain and the cause of justice and equity.

"I wish to add that, thanks to the confidence you showed in

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me, I was able to contribute in some small measure to the success of the Conference.

"When in Geneva I saw in the papers what an enthusiastic welcome you received in London, I leapt for joy at the thought that the heart of the British people was indeed beating in unison with yours. To-day the whole world understands completely the attitude you took up for England."

It was a great surprise to me that our stand made such an impression on world opinion. We were supported with enthusiasm by practically the whole of the British Press and British public opinion. I was given to understand later that the proceedings of the Conference were followed in England with the interest and excitement of a Test Match. Telegrams and cables of encouragement from all parts of the world came to us hourly. When the agreement had been reached we were overwhelmed with messages of congratulation upon the outcome of our stand for British interests. The Lord Mayor of London telegraphed as follows:

"Heartly congratulations of the Citizens of London on the success of your splendid efforts at The Hague.

"**LORD MAYOR.**"

Three months later the Freedom of the City of London was conferred upon me "for my courageous stand for the interests of Great Britain."

I gathered from the British Press that preparations were being made to give the British Delegation a great reception on their return to London. This prospect inspired me with more terror than all the foreign delegates I had had to fight during these four weeks. Mr. Henderson had gone direct from The Hague to Geneva, and Mr. Graham and myself and our officials decided to return by the midnight boat from The Hook of Holland which would land us at Liverpool Street at 8.30 on Sunday morning. I

THE RETURN FROM THE HAGUE.



Reproduced by courtesy of the "Evening Standard."

THE CONQUERING HERO.

September 5th, 1929.

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thought that this early hour on a Sunday would enable us to avoid a too tumultuous reception. However, when we arrived at Liverpool Street there was a great crowd of enthusiastic people. According to the Press it was the greatest welcome that had been given to British statesmen returning from an international conference since Disraeli brought back "Peace with Honour" from Berlin fifty years before.

When I reached Downing Street I found the following much appreciated message from the King:

"On your return home after three strenuous weeks at The Hague Conference I warmly congratulate you on an achievement which has earned for you the gratitude and admiration of your fellow-countrymen. I hope you may now have some rest, and I look forward to seeing you before long.

"GEORGE R. I."

When we sat down in the quiet of my room in Downing Street, my Parliamentary Secretary said to me: "Well, what do you think about it all." I replied: "These things do not move me. I have seen too much of the fickleness of public opinion. One day the public put a halo round your head, and the next day they press a crown of thorns upon your brow. Ten years ago I was turned out of Parliament because I could not take the popular side upon the War, and you were in prison for the same reason." The only thing that had touched me on this journey was the sight of that crowd of boys and girls assembled near the line as the train came along from Harwich shouting and waving their little Union-Jacks.

Three days after our return we had the honour of an invitation from the King to visit Their Majesties at Sandringham. This was a very pleasant experience, and the honour of being admitted for twenty-four hours into the simple and beautiful home life of Their Majesties is a

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very happy memory. The story of the happenings of The Hague were delightfully interspersed with visits to various parts of the Sandringham estates, where we had witness of the friendly relations between the tenants and their Royal landlord. The King presented me with a reading-table, and the Queen gave to my wife an afternoon tea-table which had been made in the royal workshop on the estate. These are gifts which we shall always treasure.

Shortly after our return from The Hague my wife and I paid a visit to Lord Balfour, who at that time was lying ill and living with his brother at Woking. Lord Balfour was anxious to hear my account of the proceedings at The Hague. He was in bed, but showed no signs of illness. His intellect was as clear as ever, and his conversation had lost nothing of its great charm. He was particularly pleased to have my impressions of the foreign delegates, many of whom he had met at former international conferences. It gave him real joy to hear of the enquiries they had made about him, and their wishes that I should give to him their warmest regards. We shall always remember with much pleasure our last conversation with this great statesman.

CHAPTER LXIV

The Second Hague Conference

A NUMBER of important matters had been left over from the August Conference at The Hague, and these were remitted to various Committees, who were instructed to draw up detailed recommendations for the later consideration by the Governments represented at the Conference. These Committees, which consisted of legal, financial and political experts, got to work at once, and they all completed their reports by the middle of December. It had been left to M. Jaspar, after consultation with the six principal Powers, to call another Conference at The Hague to give effect to the recommendations of the Committees in so far as the Governments might consider desirable.

The Second Hague Conference assembled on the 3rd January 1930, and its deliberations occupied a little over a fortnight. The British delegates to this Conference were Mr. Graham and myself. Mr. Henderson considered that it was not necessary for him to attend the Conference. M. Jaspar again acted as President. There was a change in the membership of both the French and German Delegations. In the interval there had been one of the periodic changes in the French Government, and M. Tardieu had become Prime Minister. M. Briand remained a member of the Government, holding the office of Foreign Secretary. Dr. Stresemann had died since the previous Conference, and the principal German delegates were now Dr. Curtius and Herr Moldenhauer.

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I had not before met M. Tardieu, and I was very much interested in his personality. He struck me as a man of great ability, of forceful character, and an able diplomatist. I have since met a number of the leading French politicians, and I should put M. Tardieu above all those I met in ability, in shrewdness and in tenacity of purpose. M. Briand took no part in the deliberations of this Conference. He was clearly in a serious state of health. All his old fire and vigour had gone. He sat at the Conference table smoking innumerable cigarettes when he was not asleep. M. Tardieu called upon me before the Conference assembled, and we had a friendly and interesting conversation on the matters which were to be considered by the Conference. He was extremely anxious that we should work in cordial co-operation. No matters were likely to arise at this Conference on which the French and British Delegations would be in serious conflict. After this meeting with M. Tardieu, he gave an interview to the French Press in which he said: "After my talk with Mr. Snowden I see no real obstacle before the Conference. I was much impressed with Mr. Snowden. I always like a man who can say 'Yes' or 'No'."

My old friend M. Chéron was still French Finance Minister and a member of the French Delegation. Dr. Curtius, the principal German delegate, had been the disciple of Dr. Stresemann, and was trying to carry forward Dr. Stresemann's foreign policy.

I need not describe the proceedings of this Conference in any detail or at any length. It was mainly concerned with three matters, namely, the arrangements for putting the Young Report into operation, the establishment of the Bank of International Settlements, and the question of non-German Reparations. The most troublesome matter arising out of the application of the Young Report

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was that of Sanctions. The French were anxious to incorporate in the Young Plan provisions by which Sanctions of the nature of the military occupation of Germany might be imposed in the case of a wilful default in the payment of the Annuities by Germany. We eventually reached an agreement under which the Creditor Powers should have the right to appeal to the World Court to decide whether any suspension of payments by Germany could be regarded as a case of wilful default. A quite unfounded report was given prominence in the French Press to the effect that I was supporting the French demand for Sanctions.

At the first Plenary Meeting of the Conference, to which the public were admitted, an amusing incident happened. A flash-light photograph was taken of the delegates, and the explosion was so loud that Mr. Graham, who had his back to the photographer and was not expecting it, jumped out of his seat, evoking laughter among the delegates and spectators alike.

The German delegates in the earlier days of the Conference proved rather stubborn, and were very dilatory in coming to decisions. For some days we had been waiting for their replies to two definite proposals, namely (1) the date on which Germany would make her monthly payments, and (2) the moratorium which would be granted if at any time Germany is unable to pay in full the Conditional part of her Reparation payments. We had been waiting days for the German replies to these simple questions, and no reply was forthcoming. In consequence of this delay it was necessary to take a firm line with them, and they were told that we had met for business purposes and not to waste time in procrastinating tactics. The German Finance Minister, Herr Moldenhauer, whose long and prosy speeches were exasperating, attempted to prove that the delay was not due

to the German Delegation. He spoke at such length that I was obliged to interrupt him, and I said:

"This discussion has gone on too long, and has led to no result. The German delegates do not reply clearly to the questions put to them, and are incessantly asking for time to consult Berlin. This is intolerable. I cannot sit at The Hague for the rest of my life. The German delegates are plenipotentiaries, that is to say, that they have the power and obligation to make decisions without having to consult the German Cabinet about every little matter. If we cannot come to an agreement there is nothing for us to do but to embody the decisions of the Creditor Powers in the Protocol. The Germans should accept them or reject them. If Germany prefers to remain under the Dawes Plan we are willing to fall in with her wishes."

The statement had an immediate effect. Dr. Curtius, the German Foreign Minister, promised that the German proposals should be submitted in writing in two hours, and even indicated their nature. He kept his promise. That afternoon the creditor delegates met to discuss the proposals, and at five o'clock the Germans joined them.

At this meeting it was the turn of M. Tardieu to speak plainly. He demanded to know if it was not possible for the German Government to decide its own policy without asking Dr. Schacht. The German delegates saw that further procrastination would not be tolerated, and private conversations soon brought an understanding.

Dr. Schacht had evidently been terrorising the German Delegation, and shortly after the incident just described he turned up at The Hague, and threw what was described as a bombshell, but which turned out to be a damp squib, into the Conference. Dr. Schacht is a man of unbounded ambition, and on this occasion he set himself up as a dictator of the Conference. I have seen a good deal of Dr. Schacht, and I have come to the conclusion that his ability is not commensurate with his ambition. A meeting

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of the Organising Committee of the Bank of International Settlement was being held simultaneously at The Hague. Dr. Schacht had sent a letter to this Committee saying that he was not prepared to give the co-operation of the Reichbank in setting up the International Bank except upon conditions which he laid down. These conditions were of a purely political character, such as the abandonment by the British of the sequestration of German property and the renunciation by France of all military and political Sanctions.

This letter was sent by the Committee of Bankers to M. Jaspar, who at once communicated it to the heads of the Delegations. We discussed the letter, and invited the German Delegation to join us. The discussion took place on the whole situation, and the principal delegates, including the Germans, were unanimous in agreement that they would not tolerate any political interference on the part of Dr. Schacht. We also decided unanimously that we should proceed with the work of the Conference exactly as if no communication from Dr. Schacht had been received. It appeared to us that the German Delegation welcomed this interference by Dr. Schacht, because it gave them the opportunity of throwing off his domination, which had evidently become intolerable. The German Delegation announced that they were making arrangements for a group of German banks to take the place of the Reichbank and to provide the Germans' share of the capital required for setting up the International Bank. Dr. Curtius informed us that the friction between the Reichbank and the German Government would be attended to later. After this humiliation Dr. Schacht quietly left The Hague and returned to Berlin—a sadder but probably not a wiser man.

There were few other incidents in the Conference which need to be mentioned. A very important achieve-

ment of the Conference was the settlement of the question of Eastern Europe Reparations. For ten years this problem had been found to be insoluble. Committees of the League of Nations Assembly have dealt with the matter at every annual session, but have never been able to make any progress towards a solution. When we had cleared away the outstanding matters connected with German Reparations, I turned my attention to the Committee which was considering this question. This Committee at the end of a fortnight had made no progress. I was under the disagreeable necessity of again saying a few strong words about this procrastination. I told the Committee that I could see only one of two courses to adopt—either to adjourn the question to the Judgment Day, or to lock up the members of the Committee in a room without food or drink until they could come to an agreement! The threat of the latter course had the desired effect. The Committee had an all-night sitting, and at the end of it produced an agreement.

These agreements were too complicated to be explained here, but it may be said briefly that Austria was relieved of the payment of all Reparations; a reduction was made in the case of Bulgaria, whose Reparations were fixed at a very modest figure; and funds were created under the guarantee of the Great Powers to deal with the question of sequestrated properties in the Eastern European countries. A report had appeared in some English newspapers to the effect that I had demanded from Hungary a larger contribution than she was disposed to pay. There was no truth at all in the statement. On the contrary I expressed to Count Bethlen my sympathy with Hungary, and declared that I should be no party to imposing upon her any burden which she regarded as being beyond her powers. Count Bethlen and Dr. Schieber, the Austrian Chancellor, expressed warm appre-

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ciation of my sympathy and help in these matters. At the end of the Conference the heads of every Delegation came to me personally to express their gratitude for the assistance I had given to them.

The Final Session of this Conference was held on the 20th January 1930. It was open to the public, and the galleries were crowded. The Secretariat and the officials and jurists had been working continuously for thirty hours to get the necessary documents completed for signature. There were twenty-six documents to which signatures had to be appended. The signature to the first document was appended by M. Jaspar, the President, who used the gold fountain-pen which had been presented to him by the delegates at the August Conference. The delegates were seated around a circular table, and the documents were passed from one to another by Sir Maurice Hankey. This proceeding lasted for forty minutes. When all the documents had been signed, M. Jaspar announced the dispatch of a message of respectful thanks to the Queen of the Netherlands, and called upon me to speak on behalf of the assembled delegates.

I expressed the satisfaction we all felt at the conclusion of our labours, and thought we might modestly claim that we had achieved the task which we set out to accomplish. I paid a tribute to the great services rendered by M. Jaspar, and referred to the tact and good-humour with which he presided over the meetings. M. Jaspar added a few appropriate words in closing the Conference, and the delegates left to the strains of a military band. There was a great crowd outside the Conference Hall who gave us an enthusiastic send-off.

With the experience of the failure of all previous efforts to settle the question of Reparations, few of us entertained the hope that the decisions at which The Hague Con-

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ference had arrived would provide a lasting settlement of this problem. This turned out to be the case. The economic collapse of the world two years later necessitated the calling of still another international Conference on the related questions of Reparations and the payment of War Debts. At this Conference the payment of Reparations by Germany and the payment of War Debts to Great Britain were suspended in the expectation that America would relieve Great Britain from her payment of debt to America. At the time of writing that question remains unsettled.

§ The long story of Reparations and War Debts teaches the eternal truth, which I have previously stated, that efforts to exact such payments can only ultimately result in failure, and so far as they are paid they inflict injury both upon those who pay and those who receive.

CHAPTER LXV

The Bank Rate and Financial Policy

THE Annual Conference of the Labour Party was held at Brighton at the beginning of October 1929. The practice had been adopted of devoting the morning session each day to a speech from a Cabinet Minister, who dealt with the work of the Department for which he was responsible.

I went down to the Conference one morning to expound the financial policy of the Government. The day before I spoke there had been a discussion in the Conference on the subject of the Bank Rate, which had just been raised to the high figure of $6\frac{1}{2}$ per cent. In view of this discussion, I thought it might be well to give the Conference an exposition of the nature and the effect of the Bank Rate. Apart from the thousand delegates on the floor, the public galleries were crowded with an expectant audience. I had just returned from the Hague Conference.

I expected that my speech would be so dry that I should lull the delegates to sleep before I concluded. On the contrary, although I spoke for an hour on this highly technical subject, the attention of the delegates was riveted throughout the whole speech. It was a great tribute to the intelligence of the delegates. It was the first time that most of them had ever heard a discourse on the subject.

It was rather remarkable that such a question as a rise in the Bank Rate should have excited a widespread interest and comment. I am sure that ten years before the question would have attracted little public interest

outside a very limited section. The intelligent men in the Labour Party were now beginning to realise the influence of monetary policy on trade conditions, and, consequently, on the welfare of the workers. A good deal of study was now being given to this subject by students in the Labour Party, and some irrational theories were attracting a certain amount of support. The Bank of England was coming in for a good deal of undeserved criticism.

I explained the relations between the Treasury and the Bank of England. They are necessarily very close relations. The Bank of England is the Government's Banker. It conducts colossal financial operations on behalf of the Treasury. It has to place upon the market every week something like £40,000,000 of Treasury Bills. It has to conduct Conversion operations on behalf of the Government. These operations necessarily involve considerable co-operation between the Bank and the Treasury. But in regard to the Bank Rate, the Treasury has no more control than any private individual. Nobody likes a high Bank Rate, but in this rather imperfect world we are sometimes compelled to submit to things we do not like—afraid if we do not the consequences will be still more disagreeable. The Treasury can express to the Bank of England its own views upon the Bank Rate, but the responsibility must rest with the Court of the Bank.

I took the precaution to warn my hearers that the description I was giving of the working of the system did not necessarily mean agreement. There was a case for investigation into the existing financial and monetary policy. At the time I was speaking the financial crash in the United States, after the unparalleled boom accompanied by widespread reckless speculation, had just occurred, and I said that there must be something that needs attention when an orgy of speculation three thousand

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miles away can result in suffering and privation to our own people.

In view of these facts, I announced that I had come to a decision to set up an authoritative enquiry to see whether our present methods of credit are the best, and whether they are serving the interests of industry as well as possible, or whether some better means could be devised. It was no use airing our own theoretical views based upon inadequate knowledge. I was sure that there was a large amount of public support for such an enquiry. Industrialists, many financiers, bankers, economists, labour organisations, had all asked that such an enquiry should be set up. I had been giving attention to this matter since I assumed office, but my absence from the country at The Hague and the holiday season had prevented me from bringing the constitution of the Committee to a conclusion. I was now hurrying on the matter with the rapidity of pace for which Government procedure and methods are so well known!

A month later I announced to the House of Commons the composition of the terms of reference of the Committee I had set up. The terms of reference were:

“To enquire into Banking, Finance and Credit, paying attention to the factors both internal and international which govern their operation, and to make recommendations calculated to enable these agencies to promote the development of trade in commerce and the employment of labour.”

I think I was successful in getting together a strong Committee, and one which would command confidence in all quarters. I prevailed upon Mr. H. P. Macmillan, K.C. (now Lord Macmillan) to accept the chairmanship of the Committee. He had some hesitation in accepting this responsible position as he was neither a financier, nor an economist, nor a business man. But I assured him that the absence of these qualifications was a qualifi-

cation rather than a disadvantage. I wanted a man to act as chairman who had a judicial mind, who could weigh evidence and who had no theories on the subject to be considered. The selection of Mr. Macmillan for this post turned out to be highly satisfactory. It was the unanimous opinion of the members of the Committee that he brought to its deliberations as Chairman every essential qualification. The Committee was composed of economists, bankers, industrial leaders, and Labour and Co-operative representatives.

It was hardly to be expected that such a Committee would produce a unanimous Report, for wherever two or three experts on financial and economic questions are gathered together there are invariably two or three diverse views. The Committee did not present a unanimous Report. There were, in fact, fourteen separate Reports, or Reservations, but that part of the Report which was unanimous—the part which presented an analysis of the Banking and Credit System—is of permanent value to the students of these subjects. Like most Committees, its Reports have never been acted upon.

CHAPTER LXVI

Unemployment and Finance

PARLIAMENT reassembled after three months' holiday on the 29th October 1929, and the Government at once introduced a number of Bills which had been promised in the King's Speech at the commencement of the session. The problem of Unemployment was becoming increasingly acute. We were just beginning to feel the effects in international trade of the financial collapse in the United States. When the Labour Government resigned office in 1924 the Unemployment Insurance Fund was self-supporting. When we took office in June 1929 the number of unemployed was 1,122,700. The financial structure of the Insurance Acts was not able to support this volume of unemployment out of its income, and the Tory Government had been borrowing to meet the deficiency. When they left office they had accumulated a debt in the Insurance Fund of £36,000,000, and had obtained borrowing powers up to the amount of £40,000,000.

Before the House adjourned for the Summer Recess the Government had passed a short Measure raising the State contribution from two-fifths of the aggregate payments of the employers and the workmen to half of this contribution. The Tory Government under the Economy Act, 1926, had reduced the State contribution, and this was largely responsible for the debt upon the Fund. Our increase in the State contribution added £3,500,000 to the National Expenditure.

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The Government were under a pledge to make certain amendments to the Unemployment Insurance Act, and in November Miss Bondfield introduced a Bill which embodied some of these reforms. This is the place to pay tribute to the efficiency with which Miss Bondfield discharged the difficult and often unpleasant task of her office as Minister of Labour. She displayed a thorough acquaintance with all the details and implications of the Unemployment Insurance Acts, and in the discussions in the House she proved herself to be thoroughly competent to meet all criticism. I regret to have to say that she was treated with a shameful lack of courtesy and with unfair criticism by the Left Wing section of the Labour Party. Although this opposition from her own Party was disagreeable, Miss Bondfield always treated it with consideration.

When I was able to get away from my Departmental duties and Miss Bondfield's Bills were under discussion, I sat beside her on the bench to give her what support my physical presence might afford. I was full of admiration for her alertness and grasp of the subject. She justified to the full her appointment as the first woman Cabinet Minister. The Bill she introduced in November 1929 involved changes in the existing rates of benefits and conditions of benefit (including the cost of the increased State contribution which had been made in July) which would cost the Exchequer £12,500,000 a year. This doubled the total Exchequer contribution for Unemployment over the sum provided by the previous Tory Government.

The Bill proposed to increase the rates of benefit to juveniles by 50 per cent., and to increase the benefits for adult dependants from 7s. to 9s. a week. The allowance for children, which had been raised by the previous Labour Government from 1s. to 2s. a week, remained at

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that figure under the Bill. There was considerable dissatisfaction in the Labour Party that the Bill did not go farther in the direction of increasing benefits. The Left Wing element of the Party were out to increase benefits to a figure which would have made it more attractive to get on the dole than to remain in employment. I must say that they had some excuse in the extravagant Resolution which had been passed by the Labour Conference demanding a minimum of £2 a week for the adult unemployed.

The demand for an improvement in the proposed scales of benefit was not confined to the Left Wing, but was supported by the Trade Union section of the Party. This section put down amendments to the Bill to reduce the waiting period, which would add at least another £4,000,000 a year to the State expenditure, and to extend the continuity period, which would cost another £5,000,000. The amendments to increase the rate of benefit proposed in one of these amendments would involve a further charge of £12,000,000! These proposed increases of expenditure were in addition to the £12,500,000 a year for which the Government had already made itself responsible.

These Trade Union amendments created a serious situation. The outlook for the Budget I should have to introduce the following April was already serious. Revenue was falling off owing to the trade depreciation, and it seemed to me that at the end of the financial year I should have to meet a very considerable deficit. To face a further increase of £20,000,000 on the Budget (which would be the cost of these Trade Union amendments) was a thing I could not possibly face. The Labour Party was still harbouring the illusion that there was an inexhaustible source of revenue to be drawn upon by further taxation of the rich. Mr. Maxton suggested

that I could easily get another £250,000,000 a year from the Super-Tax payers! A moment's examination of such a suggestion would expose it as an utter absurdity. Such an increase in the Super-Tax would have had the result of eliminating the Super-Tax payers altogether.

These Trade Union amendments created a situation which had to be faced with determination. We called a special meeting of the Labour members at which I put before them a statement of the present position of the national finances, pointing out the heavy commitments already entered into by the Government in respect of Unemployment Insurance. I told them frankly that I could not be responsible for finding the money which would be required to finance the proposed amendments. The great majority of the Labour members were always reasonable when a case was put clearly and fully before them. My speech profoundly impressed the gathering, and Mr Hayday, who, I believe, at that time was Chairman of the Trade Union Council and had put these amendments down on the Order Paper on behalf of the Trade Union Labour members, rose and moved a resolution that the amendments should be withdrawn, and that the Party should press forward the Bill as drafted by the Government with one or two minor amendments, which the Government accepted and which involved no additional financial burden.

The Left Wing members of the Party were, of course, irreconcilable, although after the withdrawal of the Trade Union amendments their opposition could be defied. During the further stages of the Bill this section moved a number of amendments for increasing the benefits all round. The Conservatives abstained from voting on these amendments, or otherwise the Government might have been placed in jeopardy. The action of the Left Wing members on these matters showed deplorable

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recklessness and disregard of practical politics. It was an exhibition of disloyalty and of the lack of the team spirit which has so often exposed the Labour Party to the jeers of its opponents and caused dismay among its supporters in the country.

On the Third Reading of this Unemployment Insurance Bill a violent attack upon it and upon the Government generally was made by Sir Arthur Steel Maitland, the Minister of Labour in the late Tory Government, who moved the rejection of the Bill. He described the Bill as the endowment of the work-shy; the enrichment of the undeserving at the expense of the workmen. The Government, he declared, had surrendered to the extremists. There never had been a more spineless capitulation. There was no national need so great that the Government would not betray it at the dictation of its extremists.

This indictment, coming from an ex-Minister of Labour whose cowardice in not facing the position of the Unemployment Fund had incurred a debt of £36,000,000, was more than I could stand. I had, as I have said, sat through the debates by the side of Miss Bondfield without intervening, being quite content to leave matters in her able hands. But this was a charge against the Government which demanded an immediate reply, and when the Tory spokesman sat down I rose and carried the war into the enemy's camp. I attacked the late Tory Government, and particularly the late Chancellor of the Exchequer—Mr. Winston Churchill—and charged them with having brought the Unemployment Insurance Fund into a state of bankruptcy. The finances of the country, I declared, were in such a state that it would take at least three years, even with good trade, to restore them to the state in which I left them in 1924. I defended the Bill on the ground that it was not only discharging a humanitarian duty, but was an insurance against a revolution.

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It may be, I declared, that a few men may get the benefit who do not deserve it, but that was no reason for depriving 99 per cent. of honest, straightforward men who prefer work to benefit, and who, when out of work, strained every nerve to find it, of just and humane treatment when unemployed.

My attack in this speech on Mr. Winston Churchill had its repercussions a few days later. Mr. Churchill brooded over this attack, and took advantage of an opportunity which arose the following week to answer it. The necessity for getting this Unemployment Bill on the Statute Book before Parliament rose for the Christmas Recess made it necessary for Parliament to sit up to Christmas Eve. The motion for the adjournment on the day before Christmas gave Mr. Churchill the opportunity to relieve himself of the exasperation he had been feeling for a week. He had let it be known that he was going to make a great attack upon me on that afternoon. In ordinary circumstances the debate on the adjournment would have passed off without excitement, and on the day before Christmas most members would have gone away. There was no need for members to attend, because no vote would be taken. However, in anticipation of this duel between Mr. Churchill and myself, hundreds of members remained behind in the expectation of having an entertaining time.

Mr. Churchill had evidently taken great pains in the preparation of his speech, and he entered the ring smilingly confident that he was coming to give his opponent a complete knock-out. He announced at the outset that he had decided to adopt a different tone towards me. Hitherto he had treated me with merciful consideration, but he had now decided that I must be given a severe chastisement instead. "In fact," he said, "the more

I treated him with consideration the more crapulous and dictatorial he became." He entertained the House of Commons with half an hour's breezy attack, in which I was charged with having committed every crime in the calendar. He sneered at the Freedom of the City of London which had just been conferred upon me, and said I was fortunate in getting the honour now before I had been found out.

There was one remarkable declaration in this speech which took everybody by surprise, It will be remembered that in the spring of that year I had had an encounter with Mr. Churchill about his Debt Settlements with France and Italy, in the course of which I had denounced that part of the Balfour Note which lays it down that Great Britain would take no more in Reparations and War Debts than was necessary to pay our War Debt to America.

Mr. Churchill at that time had vigorously defended that principle of the Balfour Note and his Debt Settlements, and he now declared to everybody's amazement that he had left various documents at the Treasury to show that it was his intention to claim relief from the Balfour Note if its principles were ever infringed.

During Mr. Churchill's speech the Chamber had been crowded, and when he sat down I at once rose to reply to him in a highly charged atmosphere. I remarked at the outset that Mr. Churchill's speech had been most appropriate for the occasion. Christmas Eve was the time for pantomime. I took Mr. Churchill's points one by one, and followed his advice of applying a little well-deserved chastisement. I concluded by saying that however strenuous may be the conflicts between us, I wanted to assure Mr. Churchill that I was very fond of him. I really did not know how I should get on without him. Therefore I closed by wishing the right hon. gentleman a very happy Christmas.

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I had sat through Mr. Churchill's speech in complete silence, but Mr. Churchill could not remain silent under my lash, and was constantly interrupting, which gave me an opportunity for driving my weapon deeper into his flesh. I knew Mr. Churchill's record too well to be at any loss in hurling the fitting retort to his interruptions.

Members of Parliament who had stayed behind for this duel went away feeling that it had been well worth while to stay and risk the chance of not getting home to their families for Christmas Day.

May I turn from this exciting, but not very elevating, episode to mention an interesting proceeding in which the Chancellor of the Exchequer takes part each year on the 12th November. On that date the nomination of Sheriffs takes place in the Court of the Lord Chief Justice of England. The Chancellor of the Exchequer presides over this proceeding, and Judges of the King's Bench arrange themselves on the Bench on the right and left of the Chancellor. The King's Remembrancer having a list of all the Counties (except Cornwall and Lancashire) in alphabetical order, containing the three names of those who were nominated a year before, reads over the names for each County. The name of the person retired is removed from the list, and if there be any objection to serve on the part of either of the other two nominated a letter of excuse is then read by the Clerk to the Privy Council. The excuse having been allowed, new nominations are made from a prepared list, and one of the Judges makes the new nomination.

This is the only occasion when the Chancellor of the Exchequer wears his robes of office. These robes are made of black silk and elaborately embroidered with gold braid. It used to be the practice for the incoming Chancellor to buy these robes from his predecessor with a

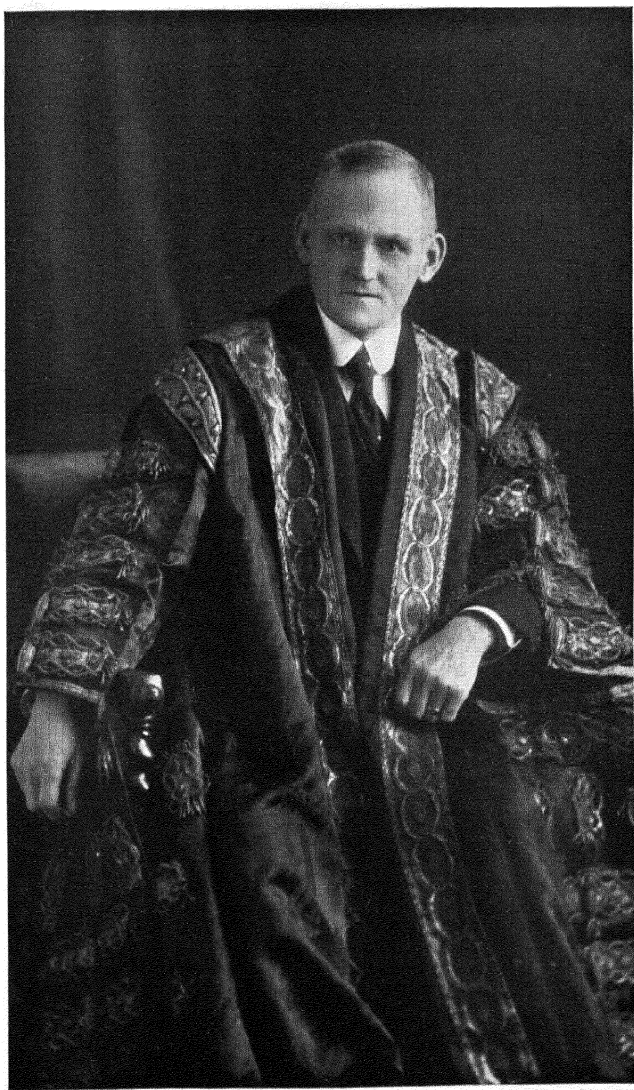


Photo by Elliot and Fry.

PHILIP SNOWDEN IN THE ROBES OF
CHANCELLOR OF THE EXCHEQUER.

reduction for depreciation. Nowadays, however, the Chancellor makes no payment for the robes as the depreciation has wiped off the original cost. There is a story told that when Lord Randolph Churchill resigned the Chancellorship and was followed by Mr. Goschen, when he offered to sell his robes Mr. Goschen declined to buy them. Lord Randolph Churchill, in perhaps rather questionable taste, is said to have remarked that this was the first occasion when a Jew had refused to buy second-hand clothes at a give-away price! When Mr. Churchill was Chancellor of the Exchequer I understand that he wore his father's robes.

The first occasion on which I went to this function led to an incident which caused Mr. Winston Churchill a certain amount of discomfiture. The proceedings had not finished in time for me to get to the House of Commons to answer questions. It happened that there were that day a large number of questions on the Order Paper regarding a new Conversion Loan. When these questions were reached I was not in my place, and Mr. Churchill became greatly agitated. He asked Mr. Pethick Lawrence, the Financial Secretary, who was to give the reply if I did not get back in time, what misadventure could have prevented me from attending at the House in order to give the required information upon matters gravely affecting public policy.

I happened to arrive behind the Speaker's Chair just as Mr. Churchill was making this enquiry. I waited until Mr. Pethick Lawrence explained that in due time the House would be given a perfectly satisfactory explanation for my absence. Then I emerged from behind the Speaker's chair, and I was received with tumultuous cheering; the Ministerialists "raised the roof", as the saying goes. Mr. Pethick Lawrence had risen to reply to the first of the questions, although I was present. This

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excited Mr. Churchill still more, and he demanded to know why I had not risen to reply. I rose quietly and said: "I have been attending the ceremony of the Appointment of Sheriffs, and it was not possible for me to be here earlier. But I can assure the right hon. gentleman that my absence was not due to the fear of facing him." Mr. Churchill rose and said: "Perhaps I may be allowed to say that I accept the statement of the Chancellor. The only question I have to ask is why the Financial Secretary did not say so earlier." Then came the blow which completed Mr. Churchill's discomfiture. Mr. Pethick Lawrence replied that he was in fact about to read out the reason for my tardy appearance when Mr. Churchill prevented him from doing so.

CHAPTER LXVII

The Budget of 1930

IN the early months of 1930 I had to turn my attention to the financial position of the country in view of the Budget Statement which was due to be made in April. The prospects were not very encouraging. I had to follow a Chancellor of the Exchequer who for four years had played "ducks and drakes" with the national finances, and had been living from hand to mouth, using capital to meet current expenditure, and "robbing every hen-roost" on which he could lay his hands. What Mr. Churchill had called the "worst economic blizzard the world had ever known" was raging and gathering force every week. The number of unemployed had risen from 1,122,700 at the time the Labour Government took office to 1,660,000 in April 1930. It was clear that there would be a considerable deficit on the 31st March when the financial year closed.

The financial year, in fact, ended with a deficit of £14,523,000 instead of a surplus of £4,336,000 which Mr. Churchill estimated in the previous Budget. Revenue fell short of the estimated yield by £11,871,000, and expenditure exceeded the original estimate by £6,748,000. The result, therefore, was a failure by £18,619,000 to realise the expectations of Mr. Churchill's Budget of 1929.

This was part of the financial problem with which I was faced in framing the Budget for 1930. But, as a matter of fact, the position was much worse than these figures disclosed. Owing to the trade depreciation the

yield of the existing taxes could not be expected to reach the figure of the previous year, and additional expenditure on account of Unemployment would have to be met.

I introduced the Budget on Monday, the 14th April. The country was already painfully aware of the main facts of the financial situation, and was prepared to accept a considerable increase of taxation. I estimated that the total revenue for 1930-31 on the basis of existing taxation at £739,645,000, and the total expenditure at £781,909,000. The difference which I had to make good was £42,264,000. The announcement of this deficit gave the House a shock from which it took them a few minutes to recover. To balance the Budget it was not, however, necessary to resort to increased taxation to meet the whole deficit as there were resources available for the current year of a fairly considerable amount.

When Mr. Churchill enacted the Derating Scheme he put on an additional Petrol Duty. The receipts from this extra duty had been allowed to accumulate for eighteen months before the expenditure on Derating began, and these receipts had accumulated in what was called the Rating Relief Suspensory Fund. I need not go into the details of a rather complicated matter. It will be sufficient to say that a sum of £16,000,000 was available from this Fund, and I proposed to apply it to meeting a proportion of the prospective deficit. This device reduced the sum I had to meet from increased taxation to £26,264,000. On strict financial principles the previous year's deficit of £14,500,000 ought to be made good in the current year, but in view of the general financial situation I did not feel justified in imposing upon the tax-payers the additional taxation which would have been necessary. I proposed to make a special provision for additional debt reduction of £5,000,000 in the current year, £5,000,000 in the next year, and £4,500,000 in 1932.

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I proposed to abolish the last vestiges of Mr. Churchill's inglorious Betting Duty. That tax was introduced in 1926, accompanied by licence fees payable by bookmakers and for entry service in respect of their premises. The tax on bets was a miserable failure, and has been abandoned by its author in the previous year's Budget. There remained in force the duty of £10 payable on bookmakers' licences, and I proposed to repeal this duty so that the Statute Book would once more be entirely free from the blemish of a Measure that ought never to have appeared upon it. The cost of this abolition was comparatively small, being about £200,000 a year.

In 1925 Mr. Churchill had reimposed the McKenna Duties. These duties had been imposed by him as Revenue Duties, although they were at the same time highly protective in their effect. The McKenna Duties, and the Silk Duties which Mr. Churchill had also imposed, brought in a revenue of about £10,000,000. To my great regret I was unable to repeal these duties in this Budget. In the existing financial circumstances I could not afford to sacrifice this revenue, repugnant as the duties were to me. The addition of £5,000,000 to the Debt provision brought the figure of the prospective deficit to £31,714,000.

To meet this deficit I proposed in the first place to raise the Beer Duty by 3s. per standard barrel. This was a small addition amounting to not more than 1d. per gallon, which was, of course, too small to justify any alteration in retail prices. I had been in consultation with the brewers, and I had from them an assurance that this small increase in the duty would not be passed on to the consumer either in an increase of price or a reduction in the gravity of the beer.

I looked to an increase in the Income-Tax to meet the greater part of the additional revenue I needed, and I

therefore proposed an increase of 6d. in the £1 on the standard rate, raising it from 4s. to 4s. 6d. By an ingenious arrangement, however, I was able to avoid any part of this increase falling on the smaller Income-Tax payers. Instead of charging half the standard rate on the first £225 of taxable income, I gave a relief of 2s. 6d. on the first £250. This concession had very remarkable results. It had the effect that about three-quarters of the whole number of Income-Tax payers were not affected by the increase in the standard rate. There would be no increase in the Income-Tax of unmarried or widowed persons with incomes, all drawn from investment, not exceeding £485 a year, or with incomes all earned not exceeding £582 a year. In the case of a married man with a family with an income not exceeding £882 there would be no additional payment. The cost of this change in the graduation of the Income-Tax amounted to £5,000,000. In addition to the increase of 6d. on the standard rate of the Income-Tax, I had to raise the rates of the Surtax by a sum which was estimated to yield £12,500,000 in a full year. I still had to find a further sum of money, and this I raised by an increase in the Estates Duties. The increase was small. There was no increase in the rates on estates below £120,000, and the increase rose by steps to an increase of 10 per cent. on estates over £1,000,000. In future, estates over £2,000,000 were to pay a duty of 50 per cent. instead of the existing duty of 40 per cent.

The total effect of the changes in Income-Tax, Surtax and the Estate Duties which I have just described was to yield a revenue of £31,500,000 in the current year and £43,500,000 in a full year. This was the method I adopted to meet an estimated deficit of £31,714,000.

In addition to these financial changes in the Budget, I proposed two amendments in the Inland Revenue law. The avoidance of Surtax and the Estate Duties by methods

which were legal under the existing law, but which could not be defended on moral grounds, had become a grave scandal. Lawyers who specialised on methods of legal avoidance of taxation had discovered that Estate Duty on landed estates and investments could be avoided through the medium of private companies. Rich landowners and wealthy industrialists formed themselves into private companies, and thus escaped taxation on more than a nominal sum. A system of avoiding Super-Tax by taking out a single-premium insurance policy was being widely practised. Mr. Churchill had taken a small step in 1927 to deal with the avoidance of the Super-Tax, and he then stated his intention to deal later with the avoidance of the Estate Duties, but he had not been able to carry out that wish. The announcement that I proposed in this year's Finance Bill to deal with these two instances of the avoidance of Estate Duties and the Surtax was, when I made the announcement, received with general approval, even of the Tory Party. But when we came to deal with the actual proposals in the Finance Bill I encountered a violent and persistent opposition from the Tory Party.

The Budget was received with warm approval by the Labour Party and the Liberal members, but, as was expected, with disapproval by the Tory Press and the Tory Party. In presenting this Budget Statement I spoke for an hour and forty-five minutes, which for brevity was something of a record in Budget Speeches. In the brief complimentary speeches following my statement, Mr. Churchill was kind enough to congratulate me upon the manner in which I had so tersely compressed the survey of this vast field into a moderate compass, and also upon the physical vigour which had enabled me to go through the ordeal which, both in the preparation and at the moment, is certain to tax a man's strength to the full. Mr. Lloyd George was very whole-hearted in felicitating

me upon what he described as a most admirable statement, which in lucidity and compression was the same miracle of compression as a 6-inch shell, and it had the same shattering detonation in its effect upon the Tory members. The majority of the Labour members, though disappointed that I had not been able to reduce indirect taxation, fully realised my difficulties, and were prepared to wait for a Socialist Budget until trade prosperity returned. The Left Wing Labour members, of course, expressed their dissatisfaction without reserve, and wanted to know why I had not the courage to put an additional annual taxation of at least £200,000,000 on the "idle rich". It was not sufficient for them that I had raised most of the additional revenue I required by the taxation of people with incomes over £1,000 a year, and had imposed little additional burdens upon people with incomes below that figure. They could see no Socialism in such a Budget as this—it dashed their hopes that the Labour Government would establish "Socialism in our Time".

When the House entered upon a discussion of the Finance Bill, which incorporated the Budget proposals, it became clear that the Tories were determined to use every device of obstruction to delay the progress of the Bill. They placed upon the Order Paper over one hundred foolscap pages of amendments. The first day on the Committee Stage of the Bill gave a foretaste of what we might expect. The Opposition had been well organised, and the back bench members of the Tory Party had been primed to make long and irrelevant speeches. By midnight it was impossible to treat these obstructive tactics with the consideration to which an Opposition is entitled when they confine themselves to reasonable discussion. By midnight practically no progress had been made, and it was clear that we must be prepared for an all-night sitting.

An all-night sitting resolves itself into a test of physical endurance. The Tories had evidently assumed that they would be able to wear me out, but they had wholly miscalculated my powers of endurance. Hour after hour during the small hours of the morning the debate continued, but, as always happens during an all-night sitting, it degenerated into mere frivolity. Mr. Churchill was leading the Opposition, and he was not behind the back bench members in pursuing a policy of sheer obstruction. In order to waste time, motions were made every hour "to report progress", and these motions wasted further time in speeches and divisions. I could not get a vote upon any amendment except by moving the closure, and this led to further divisions and further waste of time. At five o'clock in the morning Mr. Churchill could stay the course no longer and went off to bed. At eight o'clock I announced that owing to the absence of Mr. Churchill through physical collapse I thought it inadvisable to continue the discussions, which could be resumed when the right hon. gentleman had sufficiently recovered to be able to take part in them. It was, I added, very regrettable that, in view of the promise he had made of the very vigorous part that he was going to play in the debates, he had been compelled to retire from the ring, and I felt sure that I was expressing the feelings of all hon. members in extending to him our deep sympathy and our hopes for a speedy recovery.

When Mr. Churchill returned to the House he had to submit to a good deal of good-humoured banter, which made him determined to seek an early opportunity of retrieving his reputation. The adjournment of the House over the Whitsuntide holidays gave Mr. Churchill no opportunity until the day after Parliament reassembled. Further consideration of the Finance Bill was put down for that day. The holiday had enabled him to recover his

physical strength, and he was determined to show the House that he could go through an all-night sitting without a physical collapse. We began a further consideration of the Finance Bill at half-past three on Tuesday afternoon, and the sitting continued without interruption for twenty-two hours, the House not rising until a quarter to one on the following afternoon. The adjournment of the sitting was at that time necessary in order to prepare for the ordinary sitting of the House, which was arranged to begin at a quarter before three o'clock.

This sitting was one of the longest on record. The sitting was characterised by all the disgraceful features which always accompany an all-night sitting. Disorderly scenes were frequent, and the Chairman had a hard time in keeping the debates within reasonable limits. Few members remained on the benches for the discussions, returning from the library, the smoke-room, and refreshment rooms to take part in the divisions. Not more than one-third of the full strength of the Tory Party were present at any time during the sitting. The leaders of the Tory Party were all absent. To the credit of Mr. Baldwin, Sir Austen Chamberlain and Mr. Neville Chamberlain it may be mentioned that they were absent from the House. They left these disgraceful proceedings to be led by Mr. Churchill, who on this occasion was able to stay the course, but only, it was quite evident, by sheer physical effort. He could not afford to expose himself once more to jeers and ridicule. During the whole sitting the Labour members refrained from taking any part in the talking, but they were present in considerable numbers throughout and loyally backed me up in fighting the Tory obstruction. By eight o'clock Tory reinforcements arrived after a good night's sleep, and the battered and exhausted Tories who had held the fort up to that time were relieved. In spite of all the Tory obstruction, I

managed to add a number of clauses to the Bill without conceding anything except a few amendments of a minor nature.

I came through this long sitting (during which I was not absent from the bench for more than a few minutes) without feeling the least physical exhaustion. I declined to assist the waste of time by making long speeches, and only intervened with a few sentences when it was necessary to do so. The proceedings during this long sitting were a disgrace to the House of Commons, and I expressed the opinion that it was a pity that the electors had not had the opportunity of "seeing their legislators at work". If they could have done this it would have destroyed any respect they might have for the Mother of Parliaments and for their elected representatives.

Undismayed by his discomfiture on this occasion, Mr. Churchill continued to pursue obstructive tactics. Two days after this all-night sitting he uttered an extraordinary threat in a speech he was making in opposition to the provision in the Bill to prevent the avoidance of Sur-tax. For some days he had been boasting in the smoke-room that he would prevent me from getting the Budget through. An Act passed in 1913 lays down that the Budget resolutions, on the strength of which taxation is levied each year until the Finance Bill is passed, have force only until the first week in August. Unless the Finance Bill was passed by this date it would be illegal for the Government to levy Income-Tax or Customs or Excise Duties. Tax-payers would be able to claim their money back, for the Act lays down "that any money paid or deducted under the Budget resolutions shall be repaid or made good". Mr. Churchill had the colossal impudence in this speech to warn me that unless I would bow to his dictatorial demands to drop fifteen or twenty clauses of the Finance Bill he would not

allow me to get the Bill through in the statutory time. To gratify his vanity, Mr. Churchill was prepared, if he had the power, to throw the whole revenue collection into a state of chaos, and to make the Exchequer liable to the repayment of tens of millions of pounds. I treated this arrogant threat with the contempt it deserved, and made no reply to it beyond pointing out that the clause which Mr. Churchill was then opposing had been copied word for word out of Mr. Churchill's Finance Bill of 1925. In replying to this he said that he was not contesting the principle but the propriety and expediency of doing it at the moment when I was already proceeding with so much unnecessary vigour and so much unnecessary animus against the Income-Tax and the Sur-tax payers. By this proposal I was running a great risk in offending the whole body of the Income-Tax and Sur-tax payers. Mr. Churchill had evidently exhausted his powers of obstruction, for after this I had very little trouble with him, and the Finance Bill passed into law well ahead of the time-limit.

An incident occurred during the proceedings on the Finance Bill of much more serious importance than Mr. Churchill's intrigues. The Liberal leaders had got an idea that something might be done for trade by an allowance from Income-Tax to manufacturers who undertook to instal new and more efficient machinery. The payment of Income Tax on company profits put to reserve has long been felt to be a grievance. There is undoubtedly a case to be made out for some amendment of the law in this respect, but practical difficulties have hitherto stood in the way of anything being done. The most formidable of these difficulties is the fact that to exempt reserves altogether would be too costly. There are other practical difficulties, such as the probability that the exemption would lead to a good deal of abuse and evasion. Mr.

Lloyd George obviously had got the idea that a partial relief might be given by exempting from taxation reserves devoted to the instalment of new machinery.

Liberal members put down two amendments to the Finance Bill, one of which proposed the exemption from taxation of all undistributed company profits which were applied to any form of capital investment. This amendment had not the support of the official Liberal Party, and was in fact sponsored by three Tory members. The second amendment which had been put down officially by the Liberals was, as I have described, of a more modest character. There had been a good deal of talk for some days that an arrangement had been made between Mr. Lloyd George and the Tories to bring about the defeat of the Government upon this Liberal amendment. I do not believe that any such arrangement was made, although the Tories were alive to the situation and saw the possibilities of bringing about the defeat of the Government by a combination of Liberal and Tory members in the Division Lobby, and they made their arrangements accordingly.

The unofficial amendment which I have just described was moved. After the mover I followed with a short speech in which I explained that it was impossible to accept this amendment, which I did not take very seriously, as the cost would be between £50,000,000 and £60,000,000 a year. Mr. Churchill followed me with a still briefer speech, then the debate on this amendment closed, and the division was taken. The shortness of this debate was ominous. It clearly pointed to the conclusion that some conspiracy was afoot. The division on this amendment gave the Government a majority of 122. Only about half of the full Tory strength voted. The House then proceeded to discuss the official Liberal amendment. The amendment was moved by a Liberal member, whose speech gave the impression that he had little enthusiasm for the proposal he was

making. He practically abandoned the clause altogether, and told us three times in the course of his speech that he was not submitting a clause to the House but an idea and an ideal. But in my reply I had to deal with the practical effect of the clause as it appeared upon the Paper. The clause, as I have stated, proposed that money expended on plant or machinery should be allowed to be deducted from profits in calculating Income-Tax. It was quite clear that those who had drafted this amendment had not in the least understood its implications and far-reaching nature. The mover admitted that he had no means of estimating what the cost would be, but he suggested that it might be something like £5,000,000 a year.

The clause, if carried, would have repercussions of which those who had framed it had no conception; and the Inland Revenue authorities estimated that the concession would cost at least £30,000,000 a year. There were other grave objections to this method of affording relief to industry which I need not explain. It is sufficient to say that it would have had the effect of giving relief where it was least required, and withholding it from concerns who were more deserving of it. The idea embodied in this amendment put into concrete form was quite impossible, and it was full of injustice and anomalies. But I concluded my speech by saying—and these words are rather important in view of what subsequently happened:

“I have not closed my mind to this or any other proposal which is put forward professing to be a contribution to the solution of the grave problem of unemployment. I realise that the hon. member and his friends who have put down this proposal have not had expert advice or official knowledge at their disposal, but I recognise that it is an honest and sincere attempt to make a contribution to the solution of this problem. In its present form, however, it is quite unacceptable, and if I reject it I am quite ready to consider any proposal put forward for the same purpose and in the same spirit.”

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Mr. Lloyd George followed at once, and his speech filled me with amazement. He ignored the sympathetic words with which I concluded my speech, and my willingness to consider a practical proposal which would attain the desired object. He was clearly annoyed by my exposure of the effect of the amendment in the form in which it was presented, and dismissed my estimate of the cost as wholly fantastic. He concluded by saying that the Liberal Party had no desire whatever to embarrass the Government, and least of all a desire to precipitate a General Election. From this I did not gather that the Liberals would press their amendment to a division, but in this expectation I was disappointed. After Mr. Churchill had made the inevitable contribution to the debate in a very short speech, the House went to a division in a fever of excitement. When the result of the division was announced members were for a moment stunned into silence. The Government had been saved by a majority of three!

The voting in this division showed that the Tories had made complete arrangements for the defeat of the Government. In the division on the previous amendment which had been taken an hour before, the Tories put only 156 members into the Division Lobby. In this vital division, however, 100 more Tory members voted. The Tory Whips had deliberately kept back 100 members who were on the premises in order to allay suspicion. These members were hidden in the recesses of the House and in St. Stephen's Club across the way. In this second division only eight Conservative members were absent, and of these five were paired for the amendment. This, I believe, was a record for the Tory Party in the Division Lobby. Four Liberals voted with the Government, twenty-five Liberals voted against the Government, and about fifteen who were in the House abstained from voting.

If the four Liberal members who voted with the Government had also abstained from voting the future of party politics in this country would have taken a different course! The Government would have had to resign after a defeat upon a vital amendment to the Finance Bill. A General Election would have followed, and probably the Tories would have secured a majority, and they would have had to deal with the national financial crisis which matured twelve months later. It was not expected before the division took place that the voting would be so close, and afterwards a number of the Liberals who had not voted expressed their regret that they had not gone into the Lobby in support of the Government. It may be mentioned that the Liberals had put on the official Party Whips in support of the amendment.

I will now explain how it happened that this crisis arose. It was largely due to a misunderstanding. In the course of conversations at No. 10 Downing Street with Mr. Lloyd George and two or three of his friends on the Unemployment problem, he had raised the question whether something could be done to relieve employers from having to pay Income-Tax on capital taken from reserves and used for the reconditioning of their plant. We had informally discussed the scope that such a proposal might take, and I submitted Mr. Lloyd George's idea to the Treasury for the purpose of ascertaining what it would be likely to cost. But shortly afterwards the Liberals put down this amendment, which was drafted in such a form as to be far wider than the scope of Mr. Lloyd George's first discussion. When this Liberal amendment appeared upon the Paper I had conversations with Mr. Lloyd George, and pointed out to him what it involved, and that the cost would probably not be less than £30,000,000 a year.

Emerging from this conversation, I understood that Mr. Lloyd George would consult his Party, and that we

might meet again before the amendment was discussed to see whether we could not agree upon a form of words which would bring the cost within the original figure of £7,000,000. Then a sequence of misunderstandings followed. It was suggested that Mr. Lloyd George and myself should talk the matter over at Churt during the coming week-end, but Mr. Lloyd George had an engagement at Bournemouth, and the interview could not take place. On the evening before the debate on the amendment took place I saw Mr. Lloyd George again in my room at the House. The interview was perfectly friendly. He said that there was to be another meeting of his Party to consider the situation, and he left me with the impression that a revised clause would be put down.

That, however, was not done. No further communication was made to me, and I was amazed when the Liberal member who had charge of the amendment rose to move it in the form in which it appeared upon the Paper. Mr. Lloyd George had no excuse for protesting against my criticism of the drafting of the clause, for he could be under no illusion as to what my attitude would be. Neither was he unaware that I would have been prepared to give sympathetic consideration to an amendment of a more moderate character. This impression left by my last conversation with Mr. Lloyd George was confirmed by himself at a meeting of the Liberal Party a few days after the division. He told this meeting that he saw me the day before the debate, and left with the impression that the wording was not suitable, but he expected to get a conciliatory reply and a promise of something on the Report Stage of the Finance Bill. But he added that he was so annoyed by my criticism of the clause as it stood that he felt compelled to carry it to a division, though he had not the least intention of defeating the Government.

CHAPTER LXVIII

The Imperial Conference, 1930

THE Imperial Economic Conference of 1930 opened in London on the 1st October. Its proceedings are now of little interest and of no importance in view of the Imperial Economic Conference which met at Ottawa two years later. The London Conference lasted for six weeks, and from the beginning there was no likelihood that it would come to an agreement on the more important matters which were discussed. There were fundamental differences between the British Government and the Dominions on Tariff policy which could not be reconciled.

The opening meeting of the Conference gave me the opportunity of estimating the capacity of the Dominion delegates. It was clear from the outset that Mr. Bennett, the Conservative Prime Minister of Canada, would be the dominating personality among the Dominion representatives. He is a man of forceful character, vigorous speech, and has a definite policy. Very early in the Conference he put forward his plan for the promotion of closer trade relations between Canada and Great Britain. He summed it up in a single sentence—Canada first, Great Britain second, and the rest of the world nowhere.

He surprised me by his apparent ignorance of the attitude of the Labour Government to Tariff policy. Perhaps it was that Mr. Bennett was not ignorant of our position, but that he put forward his proposals for Canadian consumption. The essence of his plan was that Great Britain should give Canadian wheat a preference in the British

market, and this was to be done by Great Britain putting a duty upon imports of wheat from foreign countries. In return for this preference for Canadian wheat in the British market, Mr. Bennett made a definite offer that he would improve the existing preferential position of Great Britain in the Canadian market. The phrase that he used was "the addition of a 10 per centum increase in prevailing general tariffs and tariffs yet to be created". When Mr. Bennett made this offer it was assumed that he meant that the Canadian general tariff applicable to imports from foreign countries would be raised ten points. I pressed him for a definite explanation of what he really meant by this 10 per cent. increase. Did he mean that if the present general tariff was 30 per cent. it would be increased to 40 per cent.? I had very considerable difficulty in drawing from him a definite meaning of his offer, but eventually he explained that the proposed increase of 10 per cent. would mean that if the existing general tariff on a commodity was 30 per cent. he proposed to raise it to 33 per cent. There was to be no reduction of the tariff on British goods imported into Canada, which in many cases was so high as to be practically prohibitive. When this was made clear, the worthlessness of Mr. Bennett's offer was obvious, and it justified the description of it which was given by Mr. Thomas in a debate in the House of Commons during the sitting of the Conference as "humbug!"

Mr. Bennett's offer was, of course, completely unacceptable to the British Government, but was supported by the representatives of the other Dominions, who were interested in other commodities than wheat, such as meat, wool and fruits. If these demands were to be satisfied, they would involve a tariff on all these commodities coming into Great Britain from foreign countries. It took us some time to drive it into the heads of those Dominion representatives that it was useless to discuss

proposals of this kind. In response to Mr. Bennett's request for concrete proposals from us which would improve trade relations within the Empire we submitted for consideration the questions of bulk purchase, quotas and import boards. Committees were appointed to examine these proposals, and for a month they wasted time in preparing reports upon them which every member of the Conference realised would bring forth no practical results. After six weeks of this time-wasting procedure, the Conference ended with practically nothing accomplished.

The Dominion delegates were much concerned about the uncertainty of the existing British preferences on a limited number of commodities. They pointed out to us that the Labour Government had declared its intention to abolish all taxes on food, and asserted that the uncertainty arising from this placed them in an insecure position. They asked that a guarantee should be given to them, that over a period of three years this preference would be continued. This desire on the part of the Dominion Governments the British Government was able to concede in a measure, and a resolution was agreed to that the existing preferential measures granted by the United Kingdom to other parts of the Empire would not be reduced for a period of three years, subject to the rights of the United Kingdom Parliament to fix the Budget from year to year. This left the British Chancellor of the Exchequer free to do anything in the matter of the existing preference measures which he might feel disposed to do in fixing his Budget from year to year!

It was decided, on Mr. Bennett's suggestion, that a further Imperial Economic Conference should be held at Ottawa a year hence, but the financial crisis of 1931 prevented that Conference from being held until 1932.

The description of Mr. Bennett's proposals by Mr. Thomas as "humbug!" created some sensation. Mr.

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Bennett naturally took strong exception to this language, and it looked for a time as if he would withdraw from the Conference and go back to Canada. The debate in which Mr. Thomas used this expression was on Imperial Trade. I had to wind up the debate on behalf of the Government. In my speech I had to explain that Mr. Thomas did not mean anything offensive in the use of the word " humbug", and that the members who had taken such strong exception to it were evidently not aware of the real meaning and use of the expression. I had taken the trouble to turn up *Murray's Dictionary*, and this is what that authority says about the word " humbug ":

"This is a word very much in vogue with people of taste and fashion. It has indeed a blackguard sound made use of by most people of distinction. It is a fine make-way in conversation, and some great men deceive themselves so egregiously as to make them think they mean something by it."

I was very sorry for Mr. Thomas over this Imperial Conference. As Secretary for the Dominions he was specially interested in trying to secure something substantial as the outcome. The Tory Press had been flattering him, declaring that here was an opportunity for him to show that he was a great Imperial Statesman. If he could have had his own way I feel sure that he would have conceded the demands of the Dominions for a larger measure of Imperial Preference, involving duties on foreign imports which at that time were exempt from taxation. He was hampered, however, by the declared policy of the Labour Party in opposition to tariffs, and he realised that he could not hope to succeed in advocating a change of our fiscal policy in the face of the opposition of his colleagues.

The speech which he delivered on the occasion I have described dashed the hopes of the Tory protectionists that he would advocate an extension of Imperial Preference

based upon the taxation of food commodities. Instead of doing that, he launched out into a most violent attack upon the proposals of the Dominion delegates, and ridiculed them with a vehemence that I could not have surpassed.

Mr. Bennett, as I have said, was the outstanding figure among the Dominion delegates. His dictatorial manner left the other Dominion delegates with little to do except to follow his masterful leadership. Mr. Bennett did not impress me as having much imperial sentiment. To him these imperial problems were simply matters of business—an opportunity for seeing how much he could get out of others and how little he could give himself. Mr. Bennett evidently made this impression upon Mr. Neville Chamberlain at the Ottawa Conference, for Mr. Chamberlain said that that Conference had shown him how very thin the bonds of imperial sentiment had worn. Mr. Bennett made a remark in the course of the London Conference which caused a good deal of resentment at the time. It virtually amounted to a threat that if the British Government would not agree to his policy the opportunity might not come again, and Canada would have to seek trade advantages by arrangements with countries outside the Empire.

The other Dominion delegates of the Conference call for little comment. Mr. Scullin was the head of the Australian Delegation. He was at that time the Labour Prime Minister of the Commonwealth. He did not impress me as a man of much capacity. He was gifted with an irritating fluency which often obscured anything of substance there might be in his speech.

New Zealand was represented by Mr. Forbes, her Prime Minister. He was not an eloquent member of the Conference, but when he did speak he stated his views in a few words of unmistakable directness. I liked Mr. Forbes very much. He was just a plain, honest farmer, and I

think he would lay no claim to possess outstanding gifts of statesmanship. Mr. Forbes was born in New Zealand, and this was the first occasion on which he had visited Great Britain. Like all New Zealanders he was intensely loyal to the British Empire, and he confessed that, apart from the work of the Conference, his visit to England had been a great experience to him, as it gave him an opportunity to learn the views of leading men and to gain personal knowledge of the conditions here.

South Africa was represented by General Hertzog, the Prime Minister, who was a familiar figure at Imperial Conferences. He was accompanied by Mr. Havenga, the Minister of Finance, who still holds that post in the National Government of South Africa. Mr. Havenga struck me as a man of considerable ability, of sound common-sense, with a realisation of what was practical and attainable.

I came in for a good deal of abuse from the Tory Party and the Tory Press, which attributed the failure of the Conference to my "stubborn Cobdenism". Whatever measure of responsibility for the refusal of the British Government to tax the food of the British people for the benefit of the Dominions I might have had, it was not wholly mine, for there was a considerable majority of my colleagues who shared my views on this question. However, two years later the Imperial Economic Conference assembled at Ottawa, when Mr. Bennett met a British Delegation more in sympathy with his demands.

CHAPTER LXIX

Internal Trouble about Unemployment

DURING the whole Session of 1930 the question of Unemployment dominated the proceedings of the House of Commons. Every few weeks the Tories put down a vote of censure on the Government for their failure to solve the problem. Mr. Thomas was trying energetically to do what was possible within his limited resources to provide employment on public works. In the meantime the figures of the Unemployed continued to rise month by month, until by the end of July they had passed the two million figure. Mr. Lloyd George was active urging the adoption of his programme of spending £250,000,000 on the making of roads, the improvement of bridges, the provision of small-holdings, and the development of the telephone system.

I came in for a good deal of criticism, some of it from our own supporters, because the impression had got abroad that I was the hindrance to the raising of a large public loan for these purposes. This criticism was quite unjust. Mr. Thomas, Mr. Herbert Morrison (the Minister of Transport who had charge of the roads) and Mr. Arthur Greenwood (the Minister of Health) all bore testimony to the truth that I did not oppose the expenditure of public money on the schemes of their respective Departments which they had submitted to me. It was quite true that I was opposed to floating a public loan of £250,000,000 for undefined purposes. I was quite prepared to raise the money if necessary to carry through

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well-thought-out schemes of public works of a useful and remunerative nature. But I set my face against a shovelling out of money to be worse than wasted to provide work of no public utility.

On the 21st May 1930, Sir Oswald Mosley, who had been associated with Mr. Thomas, resigned his post as Chancellor of the Duchy of Lancaster because a programme he had submitted to the Cabinet had not been approved. A few days later, in a debate upon Unemployment, Sir Oswald recited in the House the terms of his Memorandum, and it therefore became public property. He submitted that his proposals would find employment for 730,000 persons at a cost of £10,000,000 a year! The finance of these schemes would not stand a moment's consideration, and they inspired Mr. Lloyd George to wonder whether the Chancellor of the Exchequer would not actually make a profit if the transaction were carried through. As one instance of the absurdity of his finance he calculated that pensions of £1 a week for men at 60 with 10s. for their wives if married, would, provided they were given to 390,000 persons, over a period of fifteen years involve a net cost to the State of £2,500,000!

The resignation of Sir Oswald Mosley did not come as a surprise. He and Mr. Thomas could not get on well together, for their temperaments were wholly different. I doubt, indeed, if anybody would be able to work with Mosley unless he were prepared to meekly follow him. During the few years he had been in public life he had never remained for long in one Party nor constant to any professed views. He entered Parliament as an Independent Tory, afterwards for a short time he was an Independent Liberal, then he joined the Labour Party, and he had not been with that Party more than a few months before he furnished the Party with proposals for a new programme.

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I never had any faith in the sincerity of Mosley's professions of Socialism. I was always suspicious of a rich man who came into the Socialist Movement and at once became more socialist than the Socialists. As soon as he joined the Labour Party his speeches were violent denunciations of capitalists and the idle rich, and when addressing a Socialist gathering they were interlarded with frequent references to "my dear comrades". I can understand the working-class Socialist who knows something of the hardships of working-class life sometimes expressing bitter feelings about the class which he regards as his exploiters, but such things coming from a man like Oswald Mosley, who enjoys all the luxuries which his wealth and social position can command, give me a feeling of nausea. Mr. MacDonald warmly welcomed Mosley into the Labour Party. An intimate social relationship was established such as never existed between Mr. MacDonald and the plebeian members of the Labour Party.

My views of Mosley's sincerity were very generally shared by the Labour members. His past political record did not encourage a belief in the sincerity of his latest conversion. His attempts immediately after he had joined the Party to give the movement a new programme were strongly resented. It was felt that he was a man on the make, and was using the Labour Movement as an instrument for satisfying his ambition. Mosley had considerable ability. He had a striking appearance, and spoke well. He always reminded me of Ferdinand Lassalle, the founder of the German Working Man's Association which later became the Social Democratic Party. The physical resemblance of the two men was most striking, and they had other characteristics in common. In a conversation with a friend recently I mentioned this similarity between Mosley and Lassalle, and my friend said: "That is very interesting, for an acquaintance of mine who knows Mosley

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well tells me that Mosley is aware of his resemblance to Lassalle, and has modelled his own career largely in imitation of Lassalle." If ever Mosley had the powers of a Hitler or a Mussolini he would be more ruthless and merciless, because weaker and vainer, than those two dictators.

I must go back now to the story of his resignation from the Labour Government. The rejection by the Government of the schemes embodied in his Memorandum was given as the excuse for that action. He was evidently under the impression that he would be able to take the Labour Party with him in support of his plan, or at least disrupt the Party and form a party under his leadership out of the dissatisfied elements. Immediately after his resignation he sent to the Executive of the Parliamentary Party a resolution, which was in fact a vote of censure on the Government, and he asked that a special meeting of the Labour Members of Parliament should be called to discuss this resolution. This meeting was held, and was very largely attended. In submitting this resolution Mosley spoke for an hour, and recited the proposals embodied in his Memorandum. It was a very able speech, and would have carried conviction to those who were ready to accept the finance of his plan without investigation. The meeting was impressed, and he might have secured a considerable amount of support for his propaganda if he had not made the fatal mistake of pressing his resolution to a division. This ill-advised action caused a revulsion of feeling, for it gave the impression that he was more concerned to attack the Government than to gain support for his plan. Mr. Henderson tactfully saved the situation in a short speech, in which he expressed some sympathy with Mosley's impatience that more was not being done to deal with the Unemployment question, but pointed out that if Mosley's vote of

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censure were carried it might do considerable harm to the Party.

When Mosley discovered that the Party was not prepared to accept him as a new leader he left the Labour Party and attempted to form a New Party, which turned out to be a fiasco. The advent of this New Party was heralded by a flaming Manifesto in which it was announced that the New Party would run 400 candidates at the next General Election. As a matter of fact, it had about ten candidates at the 1931 Election, all of whom were defeated, including Mosley himself. After the failure of this effort he turned his attention in other directions. He went to Italy, saw Mussolini, and the Socialist of a year before became the leader of a movement to establish a Fascist State in this country. In his brief political career Mosley has been an Independent Tory, an Independent Liberal, a member of the Socialist Party, the leader of the New Party, and the leader of a Fascist movement. Where his next evolution will land him remains to be seen.

CHAPTER LXX

Conferences with the Liberals

THROUGHOUT the Session of 1930, as I have said, the Unemployment question was constantly the subject of Parliamentary debates. On the 18th June a debate on the subject took place which had an interesting outcome. In his speech on this occasion Mr. MacDonald reverted to a suggestion he had made earlier in the session that the problem of Unemployment demanded the co-operation of all Parties and all men of good-will. It transpired that he had already issued invitations to Mr. Baldwin and to Mr. Lloyd George to meet together, with such friends and helpers as they might choose, to put their ideas into a common pool and to see whether from the talks a measure of agreement might be reached which would enable important legislation to go through the House of Commons, not under conditions of being blocked and delayed, but under conditions of special facility.

This invitation to see if agreement could be reached to promote non-controversial schemes for dealing with Unemployment was publicly accepted by Mr. Lloyd George, who followed the Prime Minister in the debate. He said: "In so far as the Party I represent is concerned, on their behalf I accept not merely the invitation but the whole of the conditions laid down by the Prime Minister." Two days after this debate Mr. Baldwin replied to the invitation with a flat refusal to co-operate. He pointed out that the Tory Party believed that the principal reasons for the decrease in employment were

to be found in the lack of confidence in industrial and business circles occasioned by the political and economic policy of the Government and its supporters, and in the excessive burden of taxation laid upon industry in the execution of this policy. They believed that the most effective contribution which could be made to the revival of industry was the wide institution of the policy of safeguarding, and securing a system of preferential tariffs with the Dominions and the Colonies. As the Government had been at pains to indicate that they were opposed to such a policy, Mr. Baldwin could not see that any useful purpose would be served by entering into a conference where the consideration of this policy had been ruled out.

The refusal of Mr. Baldwin to take part in the consultations did not prevent the Government conferring with Mr. Lloyd George and his friends. Discussions began at once at Downing Street between Mr. Lloyd George, Lord Lothian and Mr. Seeborn Rowntree representing the Liberals, and Mr. MacDonald, Mr. Vernon Hartshorn and myself. The inclusion of Mr. Hartshorn in these discussions requires a brief explanation. At the beginning of June Mr. Thomas had resigned his post as Lord Privy Seal and Minister for Employment. His position had become intolerable. He had been subjected to violent and unreasonable criticism from all Parties because he had not been able to perform a miracle in twelve months. He had, however, done a large amount of useful work, though the results made little impression upon the mass of unemployed which through the world depression had been increasing week by week. He had been instrumental in promoting schemes of employment on public works involving a capital expenditure of over £100,000,000, which would provide employment for 380,000 people for a year. I say in justice to

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Mr. Thomas that he achieved as much during the time he held this difficult position as it was possible to do in the circumstances. Schemes of public works cannot be improvised, but require a great deal of preparation. In the normal conditions of employment with a 5 per cent. figure of unemployed the schemes which Mr. Thomas promoted would have made a striking contribution to the problem of Unemployment. However, Mr. Thomas, in view of the criticism to which he was exposed, felt that he could no longer continue in the uncomfortable post he had held for twelve months, and he was transferred to the less exacting position of Secretary for the Dominions.

The Prime Minister took advantage of Mr. Thomas's resignation to recast his Government. Mr. Vernon Hartshorn, who had been Postmaster-General in the first Labour Government, was not included in the new Labour Government because at that time he was in India as a member of the Indian Statutory Commission. He had now returned, and it was felt that he ought to be given some post in the Government at the earliest opportunity. So he was made the new Lord Privy Seal, and, though he was not to be responsible for answering questions on Unemployment in the House of Commons, he was to be associated with the Prime Minister, who had undertaken to supervise the efforts of the Departments to provide employment. Mr. Hartshorn was one of the Welsh miners' leaders, and had been an active Socialist for a good many years. On mining matters he was always listened to in the House of Commons with great respect, not only for his ability but for his modesty and unpretentious manner. He died very suddenly about two years ago, and his death was a great loss to the Miners' Union, where he had exercised a moderating influence.

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Among the other changes in the Government which were made at this time was the appointment of Dr. Addison to the office of Minister of Agriculture and Fisheries in place of Mr. Noel Buxton (now Lord Noel-Buxton). Dr. Addison, who was a comparatively new recruit to the Labour Party, at the formation of the Labour Government had been given the post of Parliamentary Secretary to the Minister of Agriculture. I was surprised that he and Mr. Noel Buxton had been able to work together, even for twelve months. Dr. Addison was an energetic, pugnacious person, and not likely to be satisfied with a subordinate Ministerial post. Mr. Noel Buxton, on the other hand, had a kind and unassertive nature and, unfortunately, was not in the enjoyment of very good health. So he was sent to the House of Lords, and Dr. Addison then ran the Board of Agriculture.

The conferences between Mr. Lloyd George and his colleagues and the Labour Ministers were of a friendly character. We laid before them all the plans we were considering for dealing with Unemployment, and the Liberals on their part submitted their schemes which had been put in pamphlet form under the title of *How to tackle Unemployment*. I think we succeeded in convincing Mr. Lloyd George that we were really trying to put forward practical schemes for dealing with the problem, and especially to devise a comprehensive plan of land settlement and the better organisation of agricultural production and distribution.

I will do Dr. Addison the justice to say that he was a most energetic Minister of Agriculture. He produced an Agricultural Land Utilisation Bill which was the most important Measure presented to Parliament up to that time by the Labour Government. This Bill was not introduced until November 1930, and on the Second

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Reading it received an enthusiastic welcome from Mr. Lloyd George, who said: "This is a Measure after my own heart. . . . I am glad the right hon. gentleman has had the boldness, courage and enterprise to introduce it, and, so far as I am concerned and my friends also, I will give him whole-hearted support in any measures he takes to carry it through Committee."

This Bill passed through the House of Commons in February of the next year, and then encountered a rather stormy passage in the House of Lords. There is nothing that will rouse the House of Lords so much as an attack upon landed interests. On several days during the Committee Stage of this Bill the Lords sat until after midnight, an event of very rare occurrence. The Lords made a considerable number of amendments to the Bill, but it finally passed into law substantially in the form in which it was introduced. It does not, however, appear to have been utilised to the extent which had been expected by its promoters.

Parliament adjourned on the 1st August 1930 until 28th October, when a new session opened which was destined to have a momentous effect on the political life of Great Britain.

During the Parliamentary recess we had one or two conversations with Mr. Lloyd George on the Unemployment situation, and we kept him informed of what we were doing and of the legislation we were preparing for the next session of Parliament. On the 18th September 1930, Mr. MacDonald and myself had an important talk with him and Lord Lothian in the Cabinet Room at Downing Street. We gave them an outline of an Agricultural Bill we proposed to introduce in the autumn, and discussed with them various suggestions which were being made and pressed upon the Government from

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outside, including a Wheat Quota, Import Boards and Bulk Purchases. Mr. Lloyd George was against the Wheat Quota, and was sceptical about the practicability of Import Boards and Bulk Purchases, a view which I shared. He was not satisfied with the rate of progress which was being made with road development, and particularly with plans for the improvement of the rural roads. He was anxious to see a big extension of the telephone system, and suggested that a Board of business men should be appointed to advise the Post Office on this matter. He was dissatisfied with what was being done on the Housing question, and we promised to send him a full Memorandum on this subject outlining our plans on Rural Housing.

When we had finished our talk on these matters, Mr. Lloyd George raised the question of the future of the Parliamentary relations between the Government and the Liberal Party. He said that the Liberals could not promise to continue to support the Government in Parliament unless they could get something in return for their support. The co-operation of the Liberals in the coming session would be dependent upon a definite understanding that the Government would introduce and pass legislation for Electoral Reform. The Liberals did not want office, but they did demand proper Parliamentary representation. They attached supreme importance to a reform of the electoral system which would give the Liberals the representation in Parliament to which they were entitled by their voting strength in the country.

He indicated that the Tories were open to bargain with him. The Tories were prepared to promise no opposition to Liberal M.P.'s at the next General Election who would help them to turn out the Labour Government, and in the next Parliament they would undertake to pass

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legislation for the introduction of a system of Proportional Representation. Mr. Lloyd George did not want to enter into any alliance with the Tories, and would prefer to continue co-operation with the Labour Government provided we would pass such a measure of Electoral Reform. He thought it likely that the House of Lords would reject a Reform Bill, and in that case it would have to be passed under the provisions of the Parliament Act. In that case the Labour Government must be kept in office for the two years necessary to overcome the obstruction of the House of Lords. If the Labour Government would agree to his terms, the Liberals in Parliament would support the Government until Electoral Reform had been secured. He did not think that there ought to be much difficulty in coming to an understanding of this sort. It was not likely that the Labour Government would introduce legislation which the Liberals would oppose. The only Measure which might create difficulties was the Trade Union Bill, which he understood the Government would introduce in the coming session. He understood that the Government would propose to restore the position in regard to the political levy to where it stood before 1927, when the Tory Trade Union Act reversed the practice. The majority of the Liberal members would be unable to support such a change, but if such an understanding as he was suggesting could be reached, he had no doubt that the Liberals would try to avoid the defeat of the Government on this issue.

It may be remembered that in the previous November the Prime Minister had reluctantly agreed under pressure from the Liberals to appoint a Committee to consider the question of Electoral Reform. The ex-Speaker of the House of Commons—Viscount Ulleswater—agreed to act as Chairman of this Committee. The conduct of the Labour members of this Committee reflected no credit

upon them. From the beginning of its proceedings the Labour members deliberately set themselves to make the Conference abortive. Mr. MacDonald was well known to be opposed to both Proportional Representation and the Alternative Vote. He had written a good deal upon this subject, and had led the opposition to a change from the existing method in various Labour Conferences. He has, however, expressed different opinions at different times, and he appears to have been swayed in his views on the question by the results of particular General Elections.

When the result of a General Election gave the opponents of the Labour Party a Parliamentary majority out of proportion to the votes they had polled at the Election, he thought a change in the electoral system was desirable. In 1924, writing on the result of the Coalition Election of 1918, he said: "Proportional Representation with all its deficiencies alone seems to have formed a practical working scheme". In 1929, when the Labour Party was gaining an advantage from the existing system, he said in an interview quoted in the *Manchester Guardian* on 5th June 1929: "Proportional Representation is impracticable . . . in any case the alteration of the franchise in England had no interest for the Labour Party".

On the 17th July 1930, Viscount Ullswater, the Chairman of the Conference on Electoral Reform, wrote to the Prime Minister to say that "no good purpose would be served by prolongation of the labours of the Committee. The main purpose of the Committee—namely, some general agreement as to the amendment of our electoral laws—had failed, as no agreement had been reached or was likely to be reached. The Conference could only at the best submit a few resolutions carried on Party lines. This would not fulfil the purpose which was in view when the Conference was appointed. I have, therefore, to

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inform you with regret that our proceedings have been discontinued."

The Labour members of the Committee had all through the Conference opposed and voted against any change in the present system of Parliamentary elections. The Liberal and Conservative sections of the Conference had voted in favour of Proportional Representation. The Liberal section of the Conference explained that in the event of Proportional Representation not being accepted, they would be prepared to consider the adoption of the Alternative Vote as being preferable to the present system. The Labour section explained that none of them was willing to support the Alternative Vote *per se*; but some of them were prepared to accept it on condition that other reforms were adopted at the same time. The opposition of the Labour members of the Committee, which reflected the views of the majority of the Labour Party, was dictated by the belief that they gained an undue advantage under the existing system. At recent General Elections the Party had secured a number of seats far beyond the number to which they were entitled by the number of votes they had received. The gamble of the General Election had gone in favour of the Labour and Conservative Parties at the expense of the Liberals. At the General Election in 1929 the Liberals had polled 5,300,000 votes, and had secured only 58 seats. The Labour Party and the Conservatives, who together polled 17,000,000 votes, secured 550 seats, which was 100 more than they were entitled to on their voting strength. Under Proportional Representation the Liberals would have secured about 140 seats. Every Liberal member in the new Parliament on the average represented 90,000 votes, each Conservative member 39,000, and each Labour member 29,000. This was a result with which the Liberals could not be expected to be satisfied, and they were perfectly justified in claiming fair-play.

Following upon the understanding with Mr. Lloyd George that an Electoral Reform Bill would be introduced in the new session which was to begin on the 28th October 1930, we arranged that a consultation should take place between the Liberals and ourselves as to the scope of the Measure. In these consultations the Labour Government was represented by Mr. Henderson, Lord Arnold and myself, and the Liberals by Sir Herbert Samuel, Mr. Ramsay Muir and Sir Archibald Sinclair.

We made it clear to the Liberal members of this Consultative Committee that whatever our personal views might be there was no possibility of the Labour Party in Parliament agreeing to Proportional Representation. For myself, I was a strong supporter of Proportional Representation. I had advocated this reform in Labour Conferences and had often spoken in support of it in the country. The Liberal members of this small Committee realised our position, and did not press for the introduction of Proportional Representation. They rightly insisted, however, that something would have to be done in the Bill to remove the absurd anomaly of the existing system, so our conversations turned upon the possibility of the Alternative Vote. Finally it was agreed that the Bill should include a plan for the use of the Alternative Vote.

The Electoral Reform Bill was introduced into the House of Commons in February 1931, and, in addition to making provision for the Alternative Vote, it contained a number of minor electoral reforms. The House of Lords made a number of important amendments to the Bill, and returned it to the House of Commons ten days before the end of the session. The Commons was busy winding up the work of that part of the session, and had no time to consider the Lords' amendments to the Bill. These were to be considered when the House of Commons assembled in the autumn.

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Before the House reassembled the Labour Government resigned, the National Government was formed, and nothing more was heard of the Electoral Reform Bill.

The Labour Party, to whose dilatoriness the loss of the Electoral Reform Bill was due, paid bitterly at the next General Election for their opposition to Proportional Representation. The result of the General Election of October 1931 exposed the grotesque absurdity of the present electoral system. The "National" candidates polled a total of 14,600,000 votes, and the Labour Party 6,648,000 votes. The National candidates polled in the aggregate not many more than twice the number of votes given for the Labour candidates, but they secured more than ten times the number of seats. If that Election had been fought on a system of Proportional Representation, the Labour Party would have returned about 200 members in place of the 52 seats they won. The Labour Party themselves were responsible for this electoral massacre. There are no signs that they have realised the blunder they made. They appear to be expecting that the next General Election will give them the advantage of the gamble and the chance of winning seats to which they are not entitled on the actual votes they have polled.

CHAPTER LXXI

The Serious Financial Position

By the end of 1930 the financial and trade position of the country was causing me grave concern. The world economic blizzard was then blowing with full blast. During the year the figures of the unemployed had risen from 1,303,000 to 2,230,000. Our export trade had declined by 30 per cent. The revenue was falling. The effect of this depression on the prospect for my next Budget was a very grave one. It was already clear that at the end of the financial year in March I should be faced with a very serious Budget deficit.

The previous year, it will be remembered, had ended with a deficit of £14,500,000. In my Budget in April 1930 I had made substantial increases of taxation, and the expected yield from these taxes was not being realised. So far as I could estimate, three months before the end of the financial year, I might be faced with a deficit of £40,000,000 on the current year's account.

But that was not the worst of the prospect in front of me. National expenditure was increasing, and we were borrowing for the Unemployment Insurance Fund at the rate of £40,000,000 a year, and the cost of Transitional Benefit was adding a large sum to the Exchequer expenditure. I was appalled at the prospect of having to make another large addition to taxation, and yet I felt that the country could not afford a Budget which was not balanced. There were already signs that our national finances, and especially the continuously in-

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creasing load of debt upon the Unemployment Insurance Fund, were being watched and criticised abroad.

The Bank of England was already feeling the consequences of the weakening of the confidence of foreign markets, and there was at that time a steady trickle of money from London. In these circumstances it was plain to me that it was to the expenditure side of our national accounts that we must turn our attention to secure a sound budgetary position. Unpalatable as it might be to the Labour Party to abandon for the time being expectations of an increased expenditure on the social services, that course would have to be adopted if financial stability was to be maintained. By this time I had received the first draft of the estimates of the expenditure for next year. These estimates showed no recognition of the necessity for reduction—on the contrary the Civil Estimates showed a large increase, mainly due to the alarming increase of the Exchequer charge for Transitional Benefit which had risen from £10,000,000 in 1930 to £30,000,000 in 1931. It was this liability which upset the balance of the current year's Budget, and it was the main cause of the difficulties with which I was going to be faced next year.

This, briefly stated, was the financial position and outlook at the end of 1930. It was a situation which was more or less known to outside financial and commercial experts, and a widespread demand for a drastic reduction of national expenditure was growing. Meetings were being held in the City and elsewhere with the object of enforcing an economy programme upon the Government. Placed in a position similar to but more desperate than our own, other countries were making drastic reductions of their expenditure. The British Government was pressed to follow these examples. Knowing the seriousness of our own position from the inside, and knowing

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that it was more desperate than these outside critics fully realised, I welcomed this agitation for a reduction of expenditure because I realised that no Government could embark upon a drastic reduction unless it were supported by a strong public opinion.

The main difficulty in the way of reducing national expenditure was the fact that the great bulk of it was made up of such items as Debt Interest, Old Age and Widows' Pensions, War Pensions, Derating and Housing Grants, Pay and Pensions of the Army, Navy and Civil Service, which were charges fixed by Statute. If a satisfactory budgetary position was to be secured, drastic economies would have to be enforced and interference with statutory obligations would have to be made. Such proposals would meet with violent opposition in quarters which for years back had come to regard the normal course of national expenditure on the social services to be a progressive increase, with no realisation that the country could not afford to go on piling up expenditure without sooner or later bringing it to a condition of bankruptcy.

In February 1931 the House of Commons came to my assistance. The 'Tories put down a Motion in the following terms:

"That this House censures the Government for its policy of continuous additions to the public expenditure at a time when the avoidance of all new charges and strict economy of the existing services are necessary to restore confidence and to promote employment."

To this Tory Motion the Liberals moved an Amendment in the following words:

"That this House considers that, having regard to the effect of the present burden of taxation in restricting industry and employment, the Government should at once appoint a small and independent Committee to make representations to Mr.

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Chancellor of the Exchequer for effecting forthwith all practical and legitimate reductions in the national expenditure consistent with the efficiency of the services."

This memorable debate took place on the 11th February 1931. Sir Laming Worthington-Evans moved the Tory vote of censure, and recited an appalling list of extravagances and financial crimes of which he alleged the Labour Government had been guilty. At the conclusion of this speech I rose at once before the Liberal Amendment was called. The earlier part of my speech was devoted to an ordinary debating reply to the mover of the Tory vote of censure. I dealt vigorously with the financial record of the late Tory Government, and exposed the promises which the Tory Party had made at the General Election of 1924 to carry out expensive schemes of social reform—promises which had helped them to get their majority. During the five years of the Tory Government which we had succeeded, national expenditure had increased, and the Government had made no real effort to secure a reduction.

It seemed as though this debate was going to be confined to a Party squabble, and would end by contributing nothing towards the solution of the very formidable problems with which the country was faced. Had the debate ended with nothing more useful than the representatives of the different Parties throwing stones at each other it would soon have been forgotten. But near the end of my speech I turned away from Party recrimination to speak seriously about the actual national financial position. The House was soon hushed into a deep silence, the members realising that a statement of the utmost gravity was being made. I took the House of Commons and the nation into my confidence, and made a frank and full disclosure of the serious financial situation. As this part of my speech made a tremendous sensation in the

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House of Commons and throughout the country, and had an important influence on later developments, I think I must quote it fairly fully:

"In spite of what I have said now, having pointed out the difficulties, I say with all the seriousness I can command that the national position is so grave that drastic and disagreeable measures will have to be taken if Budget equilibrium is to be maintained and if industrial progress is to be made. An expenditure which may be easy and tolerable in prosperous times becomes intolerable in a time of grave industrial depression. The right hon. gentleman made a quotation from my last Budget speech that I was anxious to avoid the imposition of any further imposts upon industry. In view of the deeper depression since that time, I feel the importance of that statement today more than I did twelve months ago. I believe, if I may put it so bluntly as this, that an increase of taxation in present conditions which fell on industry would be the last straw. Schemes involving heavy expenditure, however desirable they may be, will have to wait until prosperity returns. This is necessary—I say this more particularly to my hon. friends behind—to uphold the present standard of living, and no class will ultimately benefit more by present economy than the wage-earners. I have been in active political life for forty years, and my only object has been to improve the lot of the toiling millions. That is still my aim and my object, and if I ask for some temporary suspension, some temporary sacrifice, it is because I believe that that is necessary in order to make future progress possible.

"The Budget position, as the right hon. gentleman said, is serious. It is no secret that I shall have a heavy deficit at the end of this year. No Budget in the world could stand such an excessive strain as that which has been placed upon it by the increase of unemployment during the last twelve months. The depression has affected both sides of the Budget. Expenditure has increased, revenue has declined. There is this fact which I think we sometimes ignore. Productive capacity has now fallen off by 20 per cent. That means 20 per cent. less in those resources from which the Exchequer must draw its revenue. Capital values have fallen, except in the case of gilt-edged stocks. And may I say, in reply to what the right hon. gentleman stated about British credit, that, in spite of the depression, British

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credit is standing higher today than it has done during the last five years. Of course, I do not mean exactly at this precise moment, but taken over a few weeks.

"We have the burden of War Debt. I do not want to give offence to anybody when I make this statement, that when the history of the War in which that Debt was incurred, its recklessness, its extravagance, commitments being made which were altogether unnecessary in the circumstances at the time, when that comes to be known, I am afraid posterity will curse those who were responsible. Though the industrial slump has affected this country so seriously, we have suffered less than others of the great industrial countries of the world. Their budgetary positions are worse than ours. I am quite familiar with what the right hon. gentleman has said about the talk which is going on in certain quarters, but I am sorry to hear that the right hon. gentleman associated that with the responsibility of a Socialist Government. This is not a situation and this is not an occasion when people should talk of taking action which might ruin the country in order to gain a Party advantage.

"There is, as the right hon. gentleman said, one vulnerable spot in our position, and that arises from the fact that we are the world's great financial centre. It is quite true, as he said, that if there were well-grounded fears that this country's budgeting was not sound, then it might have disastrous consequences, which would have their repercussions abroad. It is quite true that other countries are watching, and we must maintain our financial reputation. That we can do. Our position is fundamentally sound, sounder than that of any other country in the world, and all that is required is an effort to get over the present temporary crisis, and that can be done without any very great efforts. It will involve some temporary sacrifices from all, and those best able to bear them will have to make the largest sacrifices. In the general sacrifice, the Members of the Cabinet are prepared to make their substantial contribution. As I have said before, this is a problem which no Party can solve, but the country and the House of Commons must realise the gravity of the position. Instead of Party bickering, which we can resume later, we must unite in a common effort to take effective measures to overcome our temporary difficulties and to restore our former prosperity."

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It is difficult to convey an impression of the effect of this statement. Members turned deadly serious, and listened with strained attention to this unexpected development of the debate. It was felt that a House which a few minutes before had been cheering the familiar reproaches on an ordinary Party occasion now realised that it was faced with a situation which would demand the co-operation of all Parties. The task was too big for one Party, and a united national effort would be needed to deal with the crisis.

After my statement, Sir Donald Maclean moved the Liberal Amendment in a brief speech, in which he said that my grave warning was not unworthy of some of my great predecessors. Then the House emptied, and members congregated in the Lobbies, the library and the smoke-room to discuss the statement. Its effect on the Labour members was stunning. They regarded this as the end of their hopes that the Labour Government would proceed with a policy of spending public money on extravagant schemes of social reform. I was very sorry for the Labour members. I had so phrased my statement as to prepare them gradually for the unpleasant truth, and the abandonment for the time being of schemes upon which they had set their hearts. The Left Wing members of the Labour Party at once began to express their dissatisfaction and disgust with the statement. One of them declared: "It's bigger, not smaller, Budgets we want!" They shewed not the least appreciation of the national situation, nor of the fact that the decline in revenue and in trade made it impossible to carry out a policy of increased expenditure which might have been possible when trade was booming and revenue was expanding. The more moderate members of the Labour Party expressed fears about wage standards as well as insurance benefits, and my reference to schemes, desirable in themselves,

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having to wait until more prosperous times disturbed some of the Liberals, who were advocating large-scale expenditure upon an employment policy. I had purposely refrained from going into details in my statement, waiting for a further opportunity to do so.

Next morning the Press of the country reflected the sensation which had been made in the House of Commons. All the newspapers appeared with large-type cross-page headings. My speech was described as the gravest statement which had been made by a British Chancellor of the Exchequer for fifty years. The *Daily Herald*, the organ of the Labour Party, took a very reasonable line. In an editorial article it said:

"The country realises to the full the seriousness of the crisis which faces it, and none realise it more fully than the workers, whose sufferings from it are the heaviest. The crisis is upon us and must be met, and to meet it Mr. Snowden calls upon the whole nation for the courage to make sacrifices. To that call the nation will respond. It is prepared to face the crisis with that same courage and that same resolution that has long been its habit. The tenacity of the British will be shown now. That which needs to be done will be done. That which needs to be endured will be endured. But in this national struggle there must be a national solidarity."

In view of the reasonable desire of the Labour members for a fuller explanation of what was involved in the statement made in the House of Commons, we arranged the following week a meeting of the members. There was a crowded meeting, expectant and perplexed. I spoke for half an hour, and discussed the facts of the financial situation. I told them that from the best data available at the moment I expected there would be a deficit of £50,000,000 at the end of the financial year in March. In such circumstances it was perfectly idle to talk of going on as though things were normal, as there comes a time when the tactful thing to do is to retreat to advance. I

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told them that I felt it would be criminal upon my part not to warn the Party of the dangers ahead. The acid test of democracy was whether the leaders had the courage to tell their followers the disagreeable truth. The full blast of the economic blizzard had come on my head. I had a very disagreeable and unpleasant job, and it was not made easier if every step I took was treated with suspicion and charges of perfidy. If my critics would take my job I was perfectly ready to hand it over to them. I believed that when the Labour Movement realised that it was up against hard facts it would not shrink from facing them.

The small Left Wing element in the Party who had been so vocal outside in denouncing my House of Commons statement were very mild in the discussion which followed my speech, and could only suggest that I was trying to scare the Party. They made a demand for a further meeting of the Party so that a general discussion could take place. The meeting, however, rejected this suggestion, and further procedure was left in the hands of the Consultative Committee. My speech created a profound depression among the members, and they clearly left the meeting with a feeling that their old foundations had been swept from under them.

The Liberal Amendment to the Tory vote of censure which had called for the appointment of a small Committee to see what economies could be made in national expenditure was carried by 469 votes to 23 against. The minority consisted of Left Wing Labour members, who recorded their votes as a protest against my speech. In consultation with the three Parties, I proceeded at once to make arrangements for the appointment of such a Committee. It had been arranged with the Liberals and the Conservatives that the Committee should consist of a

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Chairman and six members, two being suggested by each Party. I was able to induce Sir George May, who had recently retired from the position as head of the Prudential Insurance Company, to accept the position of Chairman. The Committee was given the following terms of reference:

“To make recommendations to the Chancellor of the Exchequer for effecting forthwith all possible reductions in the national expenditure on Supply Services, having regard especially to the present and prospective position of the revenue. In so far as questions of policy are involved, in the expenditure under discussion, this will remain for the exclusive consideration of the Cabinet, but it will be open to the Committee to review the expenditure and to undertake the economies which may be effected if particular policies were either adopted, abandoned or modified.”

The Committee got to work at once. It made a thorough investigation of the expenditure of the various Departments, and by the end of July it presented its Report, which in its thoroughness and exhaustiveness was a monument to the way in which the Committee carried out its duties.

CHAPTER LXXII

The First 1931 Budget

THREE weeks after my speech in the House on economy, I was suddenly struck down with an internal disorder which necessitated a serious operation. This misfortune kept me away from the House and the Treasury for seven weeks, and it naturally gave rise to doubts whether I should be able to prepare and deliver the Budget Statement. The operation was very successful, and all that I needed was time to recuperate. I never had any doubt that I should be fit to present the Budget, but I fixed the date rather late in April so as to be quite sure that I should be able to undertake the task. The date was fixed for Monday, the 27th April. I went up to London on the Friday before to meet the Cabinet, to whom I gave an outline of the Budget proposals. A few of my Cabinet colleagues had been down to Tilford to see me during my convalescence, and they were not surprised to see me on this Friday looking quite fit.

We spent a quiet week-end at 11 Downing Street, and on Monday I went across to my room at the House of Commons and rested until the time came for my presence on the Treasury bench.

I would like to mention that Mr. Baldwin had previously approached Mr. MacDonald with a suggestion that if the Opposition could do anything by way of making my task easier they would be delighted to do it. I very much appreciated this kindly consideration. The only divergence from the usual proceedings in presenting the Budget

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was that by arrangement with the Chairman of Ways and Means I omitted that long and tiresome and unnecessary exposition of the details of the income and expenditure of the previous year. I have always regarded this statement as being quite unnecessary in the Budget Speech, for all the information is contained in a Blue Paper which is in the possession of members before the Budget is opened. In the words of the chairman of a company meeting, on this occasion this part of the usual Budget Speech was "taken as read". I had, however, prepared the usual analysis, and this was incorporated in the official report of my Budget Speech.

When I entered the Chamber after seven weeks' absence I met with an extremely kind reception from all Parties. I got through my speech without feeling the least physical effect; indeed, all the newspapers remarked upon this. They all said that I looked better than I had done for a long time. One newspaper, commenting on this, said that when I took my spectacles out of the case I closed it with a snap which was heard all over the Chamber, and which seemed to say "Of course I am all right! What's all this about?" The House was unusually crowded, even for a Budget Day, the side galleries being thronged with members who could find no seats on the benches on the floor of the House, while every available place in the Peers', the Distinguished Strangers', and the Ladies' and Public Galleries was occupied.

The previous financial year had ended with a deficit of £23,276,000, instead of an estimated surplus of £2,236,000. Revenue had fallen short of the estimates by £13,550,000, and expenditure had exceeded the estimates by £11,962,000. This was a better result than I had expected some months before. The effects of the trade depression on the revenue did not for some time show itself fully, as Income-Tax and Surtax are assessed

upon incomes of previous years, and new expenditure does not usually mature until the following year's Budget.

Although the last year's accounts, as I have just mentioned, showed a deficit of over £23,000,000, there was in reality no deficit at all, but a considerable surplus. During the year the large sum of £66,830,000 had been paid into the Sinking Fund.

In compiling the estimates of revenue, I took a fairly sanguine view of the prospects for the current year, and estimated the total Inland Revenue at £10,000,000 more than the receipts of the previous year. I had to meet in the current year an increase of £8,000,000 in the cost of the interest and management of the National Debt. The increase in the cost of the Supply Services I estimated at £9,000,000 more than the actual expenditure of the last year. On these estimates of income and expenditure for the current year I had a prospective deficit of £37,366,000. This was sufficiently appalling, and the only consolation to be derived from it was that it was not so bad as at one time I had feared.

Having arrived at this figure, the problem that faced me was how to meet this deficit and to balance the Budget. As I had stated in my speech in the Economy Debate I was anxious, if at all possible, to avoid increasing taxation this year. In the previous year I raised the Income-Tax from 4s. to 4s. 6d., increased the rates of Surtax and of Estate Duties, and raised the Beer Duty. The state of trade was now so bad (the figures of the unemployed had risen to 2,600,000) that I must avoid a further increase of taxation, and in preparing the Budget I turned my attention to finding ways and means by which the deficit might be met without any further burdens upon the tax-payers. There was in existence a fund known as the Exchange Account, consisting of £33,000,000 advanced from votes of credits during the War. It had been used as a fund

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for the purchase of dollar currency for the payment of our debt to America in advance of payment at a time when the market was most favourable. This fund was now hardly necessary owing to the establishment of the Bank of International Settlements. From this fund I took £20,000,000. It might be urged that this was meeting a current expenditure not from revenue but from capital. There was nothing whatever in this criticism, as I was providing in the Budget a sum of £52,500,000 towards the Sinking Fund.

Some years previously an arrangement had been made by which Income-Tax was paid in two equal half-yearly instalments in January and July. This was a concession to the tax-payers at the expense of the Exchequer. I had never been quite convinced of the fairness to the Exchequer of this arrangement, though, no doubt, it was a great convenience to the tax-payers. The whole of the Income-Tax under Schedule D is properly due on the 1st January, and when the whole is not paid then the unpaid portion is, in fact, in arrears. So I made a change by requiring that three-quarters of the Income-Tax instead of half should be paid in January, and the remaining quarter in July. This alteration would give an additional sum of £10,000,000 for the current year's revenue. I was still left with a deficit of £7,500,000, and this I wiped off by an increase in the Petrol Duty from 4d. to 6d. per gallon. This was the simple way in which I balanced the Budget.

The Budget on the whole had a favourable reception. That was probably due more to a feeling of relief that I had been able to avoid the imposition of heavy additional taxation than to the merits of the Budget itself. In view of the well-known financial position of the country, a large addition to direct taxation had been generally expected. After the feeling of relief had worn off there was some criticism that I had not followed up in this Budget the

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statement that I had made in February as to the need for a reduction of National Expenditure, and imposed the sacrifices which I had then suggested would be necessary if the budgetary position was to be placed permanently upon a sound foundation.

That criticism missed altogether the motive I had in producing what I admitted was a "stop-gap" Budget. It would have been quite impossible at that time to get the support of the House of Commons to drastic reductions of expenditure and to the imposition of heavy additional taxation. The question of National Expenditure had been remitted to the May Committee which was then at work, and I had no alternative but to await the Report of that Committee, when I should have its authority for proposing reductions of expenditure. I anticipated then that when the Report of this Economy Committee was made a second Budget in the autumn would become necessary. The methods by which I had managed to balance the Budget I admitted could not, perhaps, be defended by the canons of financial orthodoxy, but they could be justified as legitimate devices in those times of financial stringency, so long as they were recognised to be devices of a temporary nature.

At the time the Budget was disclosed this was the impression that was made upon the House, and it was described as an eminently sensible piece of work.

CHAPTER LXXIII

The Taxation of Land Values

THE main feature of the Budget, however, was the announcement that I proposed to introduce a scheme for the taxation of Land Values. I proposed to include in the Finance Bill provisions for the necessary and preliminary step of the valuation of the land of the country, and provisions for the imposition of a tax upon the valuations thus obtained. The valuation was the first and indeed the essential step to any scheme under which the contribution to the community could be levied upon land values. I proposed that the valuation should be substantially completed before the tax began to be levied. Thus the imposition would not become operative during the current financial year. I expected that the valuation would be completed within a period of two years from the passing of the Bill. The tax, when it became operative, would be at the rate of 1d. in the £1 on the capital land value.

We had been advised by the Speaker that unless a special resolution was passed by the House the Land Clauses would fall outside the definition of a Money Bill, and it would, therefore, be open to the House of Lords to reject these Clauses. In order, therefore, to protect the Land Clauses against rejection by the Peers, I proposed the necessary resolution a few days later for imposing a tax to come into operation at a date subsequent to the expiration of the current financial year. I anticipated that such a resolution would meet with strenuous opposition from the Conservative Party, who would, no doubt, realise

what its object was. When the resolution came forward I was astounded to see that the Conservatives had no comprehension of its purpose, and they confined their criticism to the general principle of a tax on land values.

In this debate I outlined the general scope of the proposals I should include in the Finance Bill. I did not propose that the tax should apply to agricultural land so long as it had no higher value than its value for agricultural purposes. Where agricultural land had a higher value than its agricultural value it would be subject to tax, but only on the excess of the value over its agricultural value. The reason for this exemption was that purely agricultural land had no site value, and it was not worth while including such land for the purpose of taxation. There were certain other exemptions from taxation, such as land used for churches, land owned by local authorities, sites of hospitals and almshouses, land owned by railways and other public utility concerns working under statutory limitations where the land could not be alienated for other purposes. There would be an enormous number of assessments where the amount of tax would be no more than a few shillings. It would not be worth while to include these cases, so I proposed that the individual owner should be relieved from tax for any year in which the total amount of the assessment upon him did not exceed 10s., a sum equal to tax on the capital value of £120. This exemption would have the effect of giving the relief to practically the whole of the working-classes who owned their houses.

The taxation of land values had long been an item in the Liberal programme, and I expected that my proposals would meet with the support of the Liberal members. Indeed, after I announced that I proposed to deal with this question Mr. Lloyd George gave the announcement his full support, and warned me from his own experience

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when dealing with this problem against making too many exemptions and concessions. "I was far too meek", he said, "in dealing with this question in 1909, and accepted destructive amendments for the sake of peace and quietness", and turning to me, he said: "but I have great confidence in the right hon. gentleman". This admonition was given a special interest a few weeks later when we came to discuss in Committee the details of the proposal, for the strongest opposition I had to meet on certain features of the scheme came from the Liberal Party.

The ordinary proposals of the year's Budget met with no opposition, and the whole fight was centred upon these land proposals. It would have been impossible to get the Finance Bill on the Statute Book within the statutory time if we had not imposed a guillotine resolution. This was an innovation on a Finance Bill, but it provided a precedent which has been followed on later occasions. These land clauses were in the main of a highly technical character, raising questions of land tenure and land ownership. I had the great good fortune to have the help in carrying through this Measure of Sir Stafford Cripps, the Solicitor-General. His legal practice, I understand, was mainly in cases of land acquisition, and he had all the questions raised in the Bill at his finger-ends. I cannot pay too high a tribute to the knowledge and skill he displayed in the conduct of this difficult and complicated Measure. The only trouble with him was that he was far too moderate and too ready to agree to concessions which might conciliate the Liberals. From my experience of him in these debates, it came to me as a great surprise when he later developed into an extreme unconstitutional and revolutionary Socialist.

During the discussions upon the land clauses of the Finance Bill the Liberals suddenly discovered that there was something very objectionable in its provisions. The

proposals involved, in their opinion, the vicious principle of double taxation. The proposed tax on site values of 1d. in the £1 on the capital value (1s. 8d. in the £1 on the annual value) was a charge additional to what the owner already paid in Income-Tax under Schedule A. That was quite true, and indeed it was the intention of the proposal on the principle that the site value was a social product, and was, therefore, a proper subject for special taxation.

This had been clearly realised by the Liberals on the Second Reading of the Finance Bill. The official spokesman of the Liberal Party, who was the legal expert of the Liberals on this subject, speaking on that occasion, said: "With regard to the tax I should like to say a few words. Frankly it is undoubtedly an extra tax and an additional burden upon the land-owners. There is only one justification for this additional tax, and that is that it is based on the value of the site which has been created by enterprise other than the enterprise of the owner."

The belated discovery of the Liberals that this was an injustice, and their threat to overthrow the Government if it were not remedied, led to an acute crisis.

A speech made by Mr. Lloyd George in Edinburgh on this point was very provocative and dictatorial, and was not calculated to encourage amicable negotiations for a settlement of the differences which had arisen. He said:

"Next week we shall be confronted with a very critical situation, because there is a proposal under the provisions of a measure for the taxation of land values which our Party feel bound in justice to disapprove. We have made an alternative suggestion. It may precipitate a grave political crisis . . . we have come to the conclusion as a Party quite unanimously—there was not a dissentient voice—that we cannot assent to the injustice of the thing as it stands. We have come to that conclusion with our eyes open, and we mean to stand by it whatever the consequences may be. . . . I am told that if we insist the

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Government will throw in its hand. If they do it is their responsibility. . . . There has been a lack of consultation upon this measure which was due to the unfortunate serious illness of the Chancellor of the Exchequer. That made consultation almost impracticable on the Land Tax before it came before the House, and a good deal of the difficulties which have arisen are traceable to this fact. No one is to blame through this great misfortune."

The Liberals had put down an Amendment in the name of Sir Donald Maclean which would, as they believed, remove the injustice of which they complained. The absurdity of the proposal they made to avoid what they called "double taxation" was so obvious when its implications came to be considered that they had to withdraw it. As it stood, their new clause would have the effect of allowing the owner of a site value who had been taxed 1s. 8d. in the £1 on the annual value to deduct Income-Tax at 4s. 6d. in the pound! When this Amendment was withdrawn it was substituted by another in the name of Sir Donald Maclean, acting for the Liberal Party, which, when it came forward in Committee, was ruled by the Chairman to be out of order; and, later, a third attempt to put their ideas into a new clause met with a similar fate from the Chairman.

These successive humiliations exasperated the Liberals, and they were disposed to attribute the cause, not to their own incompetence, but to my unreasonable opposition. For days the newspapers had long articles about the serious political crisis, and the fall of the Government was confidently foretold. What might have happened if the Liberals had been able to frame an Amendment which would be in order I do not know, but the relations between them and ourselves had not yet become so bitter as to prevent negotiations and offers to see whether a compromise could be devised. The Liberals themselves were

quite incapable of framing an Amendment which would carry out their intentions. Eventually the matter was remitted to Sir Stafford Cripps and a Liberal lawyer who had been with such unfortunate results advising the Liberals on the question, to see if their legal ingenuity could devise a plan which would satisfy the Liberals and which the Government could accept. These two legal experts contrived to draft such a clause, although I believe that the credit for this compromise was wholly due to Sir Stafford Cripps. When the latest Liberal Amendment had been ruled out of order by the Chairman, I announced that the Government would put down an Amendment, and this came up for discussion a few days later. In moving this Amendment, which was a concession to the Liberals, I was so unfortunate in my remarks as to exasperate them still more.

The scheme of this Amendment was very ingenious. On undeveloped sites the full tax of 1d. would be levied, and the tax would become progressively less according to the degree of development until on a fully developed site it would be reduced to one-eighth of a 1d. in the £1.

On looking through my speech, I really do not see what there was in it which should have so annoyed the Liberals, unless it was an observation that during the conversations I had had with the Liberal leaders on this subject my main concern had been to save the soul of the Liberal Party and to bring back to the Party those members who have strayed and erred like lost sheep, and my reminder that under this compromise accepted by the Liberals the principle of double taxation had been maintained. The main object of the Bill was the valuation of land. That remained intact—untouched. Once we got the valuation it would be for future Parliaments to decide what the amount of the tax should be. The principle upon which the Bill was based remained unimpaired, and

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the Liberal Party could look the whole world in the face and say their forty-year-old programme has now been carried into effect.

Mr. Lloyd George, who followed, was very bitter at what he called the ungracious way in which I had made the concession. "The Chancellor," he said, "has introduced a new method of making concessions. Up to the present the method has always been to make them graciously. The right hon. gentleman has improved on that method. His method is to make the concession as offensive and as disagreeable as he possibly can." He, however, accepted the arrangement that had been arrived at, and on the whole he thought it was a good one. "The Chancellor did not get the whole of his way, and the Liberals had not got the whole of their way. That was an arrangement in the style of democracy."

The Liberal humiliation, however, was completed by candid friends in their own Party and by the bitter comments of the Conservatives. Mr. Neville Chamberlain told the Liberals that "he had never known a more merciless exposure as that to which they had been subjected by the Chancellor. So far as having their faces saved, they had had them rubbed in the mud." The general tone of this debate did not reflect much credit upon any of the Parties concerned.

Next day the Liberal Parliamentary Party met to discuss the situation. They decided that I was really such an objectionable and impossible person that they refused to engage in any further conversations with me, and that if any further negotiations between the Government and the Liberals were necessary they must be conducted on the part of the Government by a less disagreeable person.

This decision on the part of the Liberals had a very amusing outcome a few days later. They had upon the Order Paper a Motion for the exemption of playing-fields

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from taxation, and again it had been framed in such a way as to make it quite unacceptable, and indeed to cover a much wider field of exemption than they themselves desired. I had a request from Sir Archibald Sinclair, who was the Liberal Chief Whip, for an interview, which I readily granted. He came to my room in Downing Street in a rather shamefaced way, and explained that the Liberals with whom I had previously conducted negotiations refused to see me, but they had agreed that if he were willing to face the lion in his den they had no objection to his undertaking the risks. It was about this Playing-fields Amendment that he wished to talk with me. We had a very agreeable conversation, and when I pointed out the implications of the Liberal Amendment—that it would exempt golf-courses, polo-grounds and race-courses—he admitted that this was not their desire. I agreed to ask Sir Stafford Cripps to exercise his legal wits and try and draft a clause which would exempt playing-fields, but would not exempt golf-courses, polo-fields and the like.

The debate which I have just been describing had a further outcome two days later when three Liberal members wrote to the Chief Whip desiring that the Official Whip of the Party should be no longer sent to them. These three Liberal members were Sir John Simon, Sir Robert Hutchinson and Mr. Ernest Brown. The letter of Sir John Simon, though long, is so important in view of his subsequent political development that I feel I must find room to reproduce it in full :

"June 26th, 1931.

"MY DEAR SINCLAIR,

"Last Wednesday the official Liberal Party in the House of Commons reached a lower depth of humiliation than any into which it has yet been led. To the distrust of the electors, the

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disapproval of Liberals in the country and the jeers of Conservatives has now been added the outspoken contempt of Mr. Snowden, just at the moment when the Liberal leader was trying to make out that his abandonment of a proclaimed principle was a triumph of disinterested statesmanship.

"Five weeks ago the official Liberal view was that the land clauses of the Budget embodied the same principle as the Liberal land taxes of 1909-10. Mr. Lloyd George gave them in advance his enthusiastic blessing. When I pointed out the manifest distinctions between the Liberal taxes and these new imposts, and urged that nobody could defend the present proposals unless he was in favour of an additional tax upon the owners of land merely because it was land which they owned, Mr. Lloyd George went to Edinburgh and was so much impressed by what he saw and heard that he declared that a 'grave political crisis' was threatened. He was impelled by 'conscientious scruples' to denounce what was 'unjust', and he was going to stand by the amendment to prevent double taxation 'whatever the consequences may be.'

"Mr. Snowden took the proper measure of these brave words, and it is manifest to everybody that the voice of conscience has been stifled, and double taxation has been swallowed for fear of consequences. The *Daily Herald* said a week ago: 'To cover up their confusion over their Land Tax humiliation, Liberal newspapers are trying to make readers believe that the new formula betokens the surrender of Mr. Snowden. This is just nonsense. All that Mr. Snowden has yielded is a portion of his revenue. On every point of principle the Liberals have made a complete climb-down.'

"Every man is the guardian of his own self-respect, but whatever others may do I must formally dissociate myself from a course which has led to this pitiful exhibition, so I write to say that I do not desire further to receive your official Whip. For your constant courtesy and good temper in trying times I, in common with every other Liberal, am truly grateful.

"Yours sincerely,

"JOHN SIMON."

The reply of Sir Archibald Sinclair to Sir John Simon's letter is also interesting, because it states facts in regard

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to Sir John Simon's general attitude to the Liberal Party and the Liberal policy which were within the knowledge of all who had watched his actions in the House of Commons over two or three years previously. It had become quite clear that he was no longer a Liberal in any sense of the word. He had, as a matter of fact, been returned to Parliament at two or three previous General Elections with the votes of the Tories in the Spen Valley Division. The following is a portion of Sir Archibald Sinclair's letter to Sir John Simon:

"MY DEAR SIMON,

"Nothing has caused me keener regret and disappointment since I was elected to the post of Chief Whip than to find even before Christmas that you were taking a course which was sharply divergent from that of the majority of the Parliamentary Party. Indeed, I have felt in recent months that there was little common ground between us, and that on many questions of far greater political consequence than the one-eighth of a penny tax on the site value of land—notably on Free Trade—you were abandoning the Liberal, and adopting the Conservative, standpoint. Your letter of June 26, therefore, only amounts to a request, with which of course I am complying, that I should give official recognition to a situation which has, in fact, existed for some time.

"Yet I do not know whether I am surprised at your sensitiveness to the 'jeers of the Conservatives', to which I should have thought that you had been less exposed during the last few months than at any time in your political career, or at your readiness to be provoked by the speeches of the Chancellor of the Exchequer into action which not even the alleged 'distrust of the electors' or 'disapproval of Liberals in the country' had previously induced you to take. . . .

"Yours sincerely,

"ARCHIBALD SINCLAIR."

The discussions upon these land clauses revealed the fact that certain persons who were quite anxious to tax site values in which they were not personally concerned

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were equally anxious to get exemption for sites in which they had an interest. The representatives of the Independent Labour Party, for instance, were anxious to get their organisation exempted on the ground that any property they might hold was devoted to charity and religious purposes! Trade Union representatives, too, moved the exemption of land owned by them, although instances were quoted where they were in the enjoyment of a very large increment which had accrued to certain sites they possessed.

I had a very difficult time during the progress of this Bill. My own Party, with a few exceptions, were not enthusiastic about the land taxation clauses, and my task in resisting unreasonable exemptions was made more difficult by the fact that some of my Cabinet colleagues were saying freely in the Lobbies that I was not supported by the Cabinet. At the time of the acute divisions with the Liberals on certain provisions in the Bill the Prime Minister and a large section of the Labour Party were terrified that my uncompromising attitude might lead to the defeat of the Government and to a second General Election, which they were very anxious to avoid.

However, the Bill finally passed. The House of Lords was impotent either to amend or destroy the land clauses of the Finance Bill, as it had been certified by the Speaker as a Money Bill by virtue of the resolution imposing the tax two years hence.

My differences with Mr. Lloyd George and the Liberal Party on the land taxation proposals did not for long prevent the resumption of friendly conversations. Mr. Lloyd George is not a man who nurses a grievance or allows political differences to interfere with personal friendships. If he did, we should never be on terms of cordial relations, for we have said a great many things on

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public platforms about each other's doings which would have made such relations impossible. That is one of the best features of English political life. It is a thing which the general public cannot understand. They read in the newspapers of violent attacks made in the House of Commons upon political opponents, and imagine that personal relations between these combatants must be very strained. At the time of my differences with Mr. Lloyd George on the land taxation question, he was interviewed about our personal relations, and said that he could not understand why anybody should suppose that because we exchanged a few dozen verbal half-bricks in the House of Commons we should in reality be anything but first-class friends. "We may be bitter enemies in the House of Commons," he said, "but down here we are just good neighbours." Mr. Asquith and Mr. Balfour, though keen political opponents, were the warmest of personal friends. At the time I was attacking Mr. Winston Churchill on his Budget proposals, he wrote to me to say how much he liked an opponent who never spares him in debate. "The harder my opponent hits me the better I like him," he said. These are sentiments which I can heartily endorse.

CHAPTER LXXIV

A Piece of Sharp Practice

THE Land Tax clauses of the Budget became the subject of acute controversy on the Finance Bill of 1934. Shortly after the General Election of 1931, Mr. Neville Chamberlain raised the question of the repeal of the Land Valuation and the Land Taxes which had been included in my Finance Act of 1931. This was done under strong pressure from the Tory Party in the House of Commons, who were bitterly opposed to the scheme. As the cost of land valuation had to be met by annual votes of Parliament, it was represented to us that the expenditure for this purpose would not be voted by the present House of Commons.

Mr. Chamberlain's proposal to repeal the Land Clauses of my Finance Act placed the Labour members of the Cabinet in a difficult position. They had been responsible for the passing of this Measure, and if they agreed to the proposal for its repeal it could not be regarded as otherwise than a humiliating surrender to Tory influence. I declined to agree to Mr. Chamberlain's proposal to repeal the Measure, and said that I could not remain a member of the Government if it were done. As Mr. MacDonald was Prime Minister at the time the Land Clauses were passed through Parliament, he had, with me, an equal responsibility for resisting their repeal.

Eventually Mr. Chamberlain's proposal for repeal was modified, and confined to a suspension of the valuation. It was only after a piteous appeal to me from the Prime

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Minister, who pleaded with me not to break up our long political association on a matter which, he said, was not of immediate importance, that I reluctantly withdrew my opposition to the suspension of the valuation. It was urged that at this time, when national economy was so necessary, the Government could not justify the expenditure entailed by continuing the valuation. This excuse was sheer hypocrisy, which did not hide the real purpose that prompted the suspension. The completion of the valuation was necessary as a preliminary to the imposition of the taxes which would have brought a very considerable revenue into the Exchequer.

Mr. Chamberlain, when announcing this decision in the House of Commons, said that it had been prompted solely by a desire to save the expense of valuation, and it was being done without prejudice to the merits of the question.

Mr. Baldwin, when defending this proposal, made this statement:

“Would any of you who had been a member of the National Government, who had gone through the fight we won last autumn with men who had fought during that Election like Lord Snowden, do you think that I, going about the country as I do, and noting the force of Lord Snowden's speeches and broadcasts in helping to win seats which we should never have won, was going to say to them: ‘Oh, no. We have now got a big Tory majority, bigger than I expected. Out you go’? Not much. That is why we stand for the clause as it is in the Bill. We can neither accept a repeal of the Act nor the insertion of the Amendments.”

Lord Hailsham, in resisting the Motion in the House of Lords for the complete repeal of the Land Clauses, said that if the Government had asked Parliament to repeal the land valuation and the land tax it would have been a public humiliation to the four members of the Government who were originally responsible for these enactments which it would be unreasonable to ask of

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them. The Government regarded the presence of the Labour members in the Cabinet as a real strength to the Government, and he believed that any attempt to weaken their position or to undermine their position in the Cabinet or to make their continuance in the Cabinet impossible would be a real source of weakness to the country.

Pressure continued to be put upon the Government to repeal the Land Clauses, and under this pressure Mr. Neville Chamberlain proposed in the Finance Bill of 1934 the complete repeal of the taxes. He was evidently ashamed of what he was proposing to do, for neither in the Budget Speech nor on the Second Reading of the Finance Bill did he make a word of comment on the matter. The first intimation the country had of the decision to repeal this enactment was a clause in the Finance Bill. Perhaps I had better reproduce a comment I made to the Press representative the day it had been discovered that this unexpected proposal was found hidden in the clauses of the Finance Bill. I said:

"I suppose this has been done at the instigation of the Prime Minister, who wants to give his Tory colleagues further proof of the thoroughness of his conversion to Toryism.

"According to the statements of the Tory Ministers at the time that the valuation was suspended it would have been a humiliation for Mr. MacDonald, Mr. Thomas and Lord Sankey if the Government repealed the valuation altogether. It will be interesting to hear whether what would have been a humiliation two years ago to these Ministers is no longer a humiliation.

"The only honest explanation they can give will be that nothing the Tory Ministers can do to make the Prime Minister swallow his former principles can humiliate him still deeper."

In reply to a letter sent to the Prime Minister by the United Committee for the Taxation of Land Values, he made a most amazing statement as to the reasons why the repeal of the Land Values Tax was being proposed. The

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letter is such an astounding production that it deserves to be quoted in full. It was described in the House of Commons by a Liberal Member as "nauseating hypocrisy".

"10 DOWNING STREET,
"WHITEHALL,
"14th May 1934.

"DEAR SIR,

"I have received a letter which you are sending to the Press about the repeal of the land value tax. I anticipated that this proposal would give an opportunity of raising the whole question of land taxation, although as a matter of fact it is not raised in the decision itself. The clauses have never been put into operation, and were suspended as one of the first acts following upon the crisis which led to a change of Government.

"It may be argued that the step which has been taken indicates the power of certain interests, but it is not in accordance with truth to describe the effect of what is being done as 'staying a reform that has been repeatedly endorsed by democratic majorities and insistently demanded by hundreds of municipalities.'

"A Government which was determined to 'take drastic and energetic steps to put into operation the taxation of land values' would have to proceed to legislation, as the clauses that have been in suspense for years, largely owing to amendments which the Chancellor (Mr. Snowden) had unwillingly to accept from both Liberals and Conservatives, were not sufficiently full to enable a great deal to be done.

"I am, Yours very truly,

"J. RAMSAY MACDONALD."

In the first place, he states that the clauses have never been put into operation. That is not the case. When they were suspended the valuation was proceeding. In the next place, he denies that the repeal will not stay a reform which has repeatedly been endorsed by democratic majorities and insistently demanded by hundreds of municipalities. That is equally inaccurate. Had the

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valuation been carried out, it would by 1934 have been completed, and the Land Tax would now have been in operation. The third misstatement is contained in the last paragraph of this letter, in which he says that the clauses had been in suspension for years chiefly owing to amendments which Mr. Snowden had unwillingly to accept from both the Liberals and Conservatives, and were not sufficiently full to enable a great deal to be done.

This statement, if it means anything at all, means that the Land Clauses were not sufficiently drastic, and for that reason the Government proposed to repeal them! As to the remark that I had unwillingly to accept amendments from Liberals and Conservatives, I may say that I made these concessions under pressure from the Prime Minister, who appealed to me not to resist them and by so doing bring about the defeat of the Labour Government.

The repeal of the Land Clauses is a flagrant instance of a Government elected by the votes of all Parties for a specific work using its majority for purely Party purposes. This matter of the Land Taxes was never raised at the General Election, and the repeal could hardly be reconciled with the Prime Minister's statement at that Election that if the Tories "try to play Party tricks on me they will find I am not their man". The repeal of the Land Taxes is comparable to the action of the Tory Party in using their Parliamentary majority to impose permanent Protection after it had been returned to power by millions of Free Trade votes.

CHAPTER LXXV

Waiting for Dead Men's Shoes

I NOW turn back to describe some incidents of the summer of 1931.

The conversations between the Liberal leaders and ourselves on the subject of Parliamentary co-operation were resumed, and we met in the Prime Minister's room at the House of Commons to consider plans to that end. The Liberals were usually represented by Mr. Lloyd George, Lord Lothian, Sir Herbert Samuel and Sir Archibald Sinclair. During June and July of 1931 these meetings were held often. The Liberals were really anxious that the Labour Government should be kept in office until the Electoral Reform Bill had become law by the operation of the provisions of the Parliament Act.

For about twelve months there had been renewed activity among Free Traders. My wife, who was keenly interested in the subject, had arranged a number of luncheons at Downing Street which were attended by prominent Free Traders belonging to all political Parties. At these gatherings plans were discussed for a popular and widespread Press and platform campaign on the question.

At one of our meetings in the Prime Minister's room with Mr. Lloyd George and his friends, he suggested a wider co-operation between the two Parties, and proposed that we might agree upon a joint propaganda on a Free Trade programme. This was further discussed

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at subsequent meetings, and it was agreed that a small joint Committee should be appointed with two experts, one selected by each Party, to draw up a programme and to prepare literature on the subject.

Mr. Lloyd George suggested that this campaign might begin in the coming autumn with a public demonstration at which the leaders of the two Parties would appear together, and I suggested that the Prime Minister and Mr. Thomas should be the Labour Party spokesmen at this demonstration. I am afraid this was a bit of irony upon my part, for at that time I knew that both Mr. MacDonald and Mr. Thomas were inclined towards tariffs. However, this plan fell through. The national financial crisis became acute in August, and the political developments which quickly followed transformed the political situation.

In the latter part of the summer of 1930 it had come to my knowledge that Mr. MacDonald's mind was turned towards Protection. The first indication I had was a casual remark he made to me when we were sitting on the bench. He turned to me and said: "I have been thinking how we can win a clear majority at the next General Election. I would have just a three-point programme:

No reduction in the Social Services;
A forward programme on Unemployment;
A 10 per cent. all-round Revenue Tariff."

I simply replied "Oh!" and the conversation was not pursued. About the same time, however, I found out from what was told to me that he was canvassing Cabinet Ministers as to their views about a tariff, and giving as a reason that the financial position was likely to be so bad next year that the choice would be between a heavy increase in direct taxation and a revenue tariff. Mr.

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Thomas, who was usually in the confidence of the Prime Minister, and who had always had leanings towards Protection, was supporting the Prime Minister in this matter.

From the beginning of May until July (1931) there was a sustained Press campaign against me inspired by a section of the Labour Party and encouraged by some of its leaders. Unfounded reports were constantly being circulated about the state of my health, and it was assumed that I should not be able to continue to hold my office as Chancellor of the Exchequer. Rumours appeared in the Press about divisions in the Cabinet, and I was always represented as "the devil in the machine". I was held by some to be the obstacle to the Cabinet pursuing a more socialistic policy, and by others to be preventing the Government from embarking upon a Protectionist policy.

Mr. MacDonald at the same time was the victim of intrigues by a small disgruntled section of the Labour Party who were disappointed because they had not been given office in the Government. They were endeavouring to supplant Mr. MacDonald by Mr. Henderson, although I doubt if Mr. Henderson was a party to this intrigue. In anticipation of my resignation of the post of Chancellor some of my Cabinet colleagues were pressing Mr. MacDonald to give them the reversion of my office. Mr. MacDonald told me that Mr. Thomas was pressing him persistently to give him that office when it became vacant. Mr. Thomas has some good qualities, and I always liked him, but the last position for which he is fitted is that of Chancellor of the Exchequer! The one man in the Government who had qualifications to succeed to the office of Chancellor was Mr. William Graham. But he was too modest and retiring to press his own claims.

At this time the "Big Five" of the Labour Party—the Prime Minister, Henderson, Thomas, Clynes and myself

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—were in the habit of meeting once a week in the Prime Minister's room for a general conversation about the Parliamentary situation and the state of the Labour Party generally. At one of these meetings in May, Mr. Henderson startled us by announcing that he wanted to resign his seat and go to the House of Lords. He gave as a reason the state of his health. We assumed that he wished to retain his office as Foreign Secretary, but he was not very definite on this point. We were strongly opposed to Mr. Henderson taking the step he desired. If he went to the House of Lords a by-election at Burnley would follow, and at that time the by-elections were going against the Government, and in all probability the seat would be lost. Mr. Henderson took the opposite view, and expressed his confidence that there would be no difficulty in holding the seat for Labour. We pointed out to him that the action he proposed would make a bad impression on the Labour movement generally, and particularly in Burnley where the Labour Party would resent being put to the turmoil and expense of an unnecessary by-election. Notwithstanding the opposition to his desire to go to the House of Lords at once, he raised the question again at our meeting the following week, but when he got no support he did not press his wishes any further.

But at this second meeting the real reason for Mr. Henderson's sudden desire to go to the House of Lords transpired. Lord Parmoor, who was the Leader of the Labour Party in the Upper House, was anxious to retire from that arduous position, and this had come to Mr. Henderson's knowledge. He wanted to go to the House of Lords to succeed Lord Parmoor as Leader of the Labour Party there. Mr. Henderson had urged that the reason why he wanted to go to the House of Lords was that he found the strain of the House of Commons too great.

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There was really nothing in this, as Mr. Henderson had never taken an active part in the work of the House of Commons; neither in opposition nor in office had he ever helped us in the rough and tumble of Parliamentary debates. Mr. Henderson has never been a Parliamentarian. His heart has been in the work of the organisation of the Labour Party. As Foreign Minister he had to answer questions on one or two days a week in the House of Commons, and occasionally to speak in debate when some question connected with his Department was raised. On these occasions he read his statement from a brief. Whenever we asked him to help the Government in a general debate he always had the excuse that he was recovering from an attack of influenza, or he could feel an attack coming upon him. I could never understand Mr. Henderson's reluctance to take a more active part in the Parliamentary debates. It was not that he was incapable of extempore speaking, for I have heard him on many occasions in Labour Party Conferences speak on the spur of the moment with great effect. In recent years he has got into the unfortunate habit when he has a set speech to make of reading it word for word from a typed memorandum. This practice is calculated to destroy one's confidence in speaking from notes only, and it certainly lessens the effectiveness of the speech.

In the course of the talk upon Henderson's peerage, one of my colleagues asked what were my intentions in regard to the future of my own position. I had never before to anyone disclosed a decision which I had definitely reached at the time of the last General Election. I had made up my mind that I should not seek re-election. I felt that after forty years of active political work I was entitled to a quieter life. So when pressed I told my colleagues of this intention. Even if before the end of the present

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Parliament I gave up the office of Chancellor I did not intend to retire from the House of Commons until the General Election. I was quite willing to retire into the freedom and ease of a private member's life, but if my colleagues wished me in the event of my resigning the Chancellorship to continue in the Government to the end of this Parliament in a less arduous office I should be willing to consider such a suggestion.

And now Lord Passfield (Mr. Sidney Webb) and Mrs. Webb come upon the scene. They came over to Tilford one Sunday afternoon in May (they lived only twenty minutes' drive from us), and Mrs. Webb explained the purpose of their visit. She and Sidney, she told me, had been talking matters over, and they had come to the conclusion that I should resign my present office and go to the House of Lords. Sidney was very anxious to resign his office as Colonial Secretary as soon as arrangements could be made for a successor. He would be willing to continue until the end of the present session, though he would like to be relieved earlier if I would fall in with the suggestion. The office of Colonial Secretary, he said, was a very easy job, and would be far less exacting than the post I then held. He said that the Labour Party in the Lords needed an accession of strength, and as Lord Parmoor had then intimated his intention to give up the leadership of the Party in that Chamber, if I agreed to resign at once I could succeed him in the leadership. That position had no attractions for me, neither had the prospect of going to the House of Lords. If I did resign the Chancellorship I should have no objection to taking his office as Colonial Secretary until the end of the present Parliament, continuing to sit in the House of Commons. I explained to Lord Passfield and Mrs. Webb that it was quite out of the question for me to resign until I had got certain work through. I was very anxious

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to retain the Chancellorship until I had been able to carry out the conversion of the huge block of £2,000,000,000 of 5 per cent. War Loan. I had set my heart upon this. I had a complete scheme ready, but unfortunately owing to the financial position of the country the prospects of the success of such a conversion operation were not then very promising.

This suggestion by Lord Passfield was, I am sure, entirely free of even a suspicion of Party intrigue, and was prompted solely by his desire to get out of office, and at the same time, if I did intend to resign the Chancellorship, to provide me with the opportunity to continue in the Government in a less arduous position.

CHAPTER LXXVI

The Story of the Crisis

By the end of July 1931 the financial situation was beginning to assume a very serious aspect. In financial circles it was the one topic of conversation. Gold and foreign deposits in London were being withdrawn at a rate which threatened the stability of our national financial position.

On the 31st July the House of Commons was to rise for the Summer Recess. The day before, Mr. Neville Chamberlain came into my room and said that he intended next day in the debate on the adjournment to speak upon the situation, but he was very anxious to say nothing which would have a disturbing effect. He was well aware of the actual financial situation, and he would make a non-partisan speech and would avoid putting any questions to me which might place me in an embarrassing position. He was anxious to be helpful, and he thought it might be well if I could make a reply to him which would impress the country with the gravity of the situation without causing a panic. I gave him a full account of the information in my possession. We agreed upon the general line that he would take in his speech, and I promised to follow with a speech which would raise the discussion above Party controversy.

Mr. Chamberlain's speech next day was singularly free from the slightest spirit of partisanship. It was couched in language which showed that his desire was not to secure a Party triumph, but how best to serve the interests of the country. "The time has come", he said, "when it is

necessary that people should be told the truth. The people of this country have to realise that foreign confidence in the credit of this country has been shaken because it has watched the expenditure growing faster than the revenue. I ask the Chancellor of the Exchequer, as guardian for the time being of the national finances, to give us some assurance that he himself realises the seriousness of the situation and the great need for the reduction of national expenditure, and that he will devote these weeks during which this House will be dispersed to a thorough, exhaustive and determined examination of the steps which it may be necessary to take."

When Mr. Chamberlain sat down I rose at once, and expressed my gratitude for the spirit of his speech. I was fully aware of the difficulty of dealing publicly with the acute financial position of the country, for this was a time when a lightly spoken word or even a wrongly turned sentence might have serious consequences. Investors were naturally nervous, and the slightest suspicion regarding the non-security of their investments was apt to lead them to adopt a course which was not justified by the actual facts. Foreign credits were held in London to the extent of probably many hundreds of millions of money, and recent events had shown that serious consequences might rise through even an indefinite rumour. I then went on to examine the budgetary position, which was getting progressively worse owing to the deepening of the industrial depression. Unless very considerable economies could be effected, the outlook was indeed very grave. That day I had received the Report of the May Economy Committee. It would be published next day, and I was afraid it would come as a shock to the country. I could assure Mr. Chamberlain and the House that the Government would at once take this Report into consideration. I reminded members that the House of

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Commons had a special responsibility for the Report of this Committee. This Committee had been set up by the House of Commons. No Government, and especially a Government like our own, which did not command a majority of its own in the House, could expect to carry through drastic reductions of expenditure without the co-operation of all other Parties. The responsibility for carrying out any recommendations which the Government would submit in October must be assumed by the House of Commons as a whole.

I pointed out that the biggest of the burdens on the national finances was the War Debt. I mentioned that I had prepared a scheme for a huge conversion of the War Loan by which a very large saving of interest on the Debt would be effected. If it had not been for recent unfortunate financial developments the conversion operation would have been floated before now. However, at the first favourable opportunity it would be launched. I concluded upon a more encouraging note. I said the position of London is fundamentally sound. It still remains the best market in the world for foreign investors, and so far as I and the Government are concerned we shall take every possible step to ensure that the proud and sound position of British credit shall in no way be impaired.

This speech, delivered in a quiet, almost conversational tone, made a profound impression upon the members. Although it was the last day of the summer session, when members were anxious to get away on their holidays, the Chamber was crowded. It sent members away in anything but a holiday mood, and the general feeling of depression was increased next day when the Report of the Economy Committee was issued.

My references to the responsibility of all Parties for dealing with the crisis, and my invitation to the Opposition

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Parties to co-operate, were regarded in many quarters as an invitation to form a National Government to tide over the financial crisis. Such an idea was not in my mind. My remark simply stated the obvious fact that it would be impossible for a Minority Government to carry proposals for the drastic reduction of expenditure if the Opposition were to pursue Party tactics and endeavour to make Party capital out of unpopular proposals. I realised at the time that we should very likely have to face the opposition of a section of our own Party in carrying through economy schemes. The Labour Party, or at least a section of them, had lived so long in the belief that the only function of a Labour Government was to spend money that they would not be likely to be reconciled to the opposite policy. There was not at that time the least likelihood that the Conservatives would consider the setting up of a National Government. Only a fortnight before, Mr. Baldwin had referred to this question in a public speech, and had pointed out that the insuperable objection to the Conservatives co-operating with men of other Parties was that the Conservatives believed that the restoration of prosperity could only be achieved by the protection of the home market and the development of the imperial market. He was prepared to co-operate gladly with men to whatever Party they belonged if they would agree to a policy aimed at that object.

My idea of the political future at the end of July was that when we met in the autumn and submitted our economy proposals we could count upon the support of the Conservatives and the Liberals, and the reluctant support of the majority of our own Party, though the Conservatives would probably regard our proposals as inadequate and endeavour to secure more drastic reductions of expenditure.

At the close of the sitting of the House which I have

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been describing, I asked the Prime Minister to call such members of the Cabinet as might be available into his room as I wanted to make known to them in brief the nature of the May Economy Report which I had just received. At this meeting an Economy Committee of the Cabinet was set up which consisted of MacDonald, Henderson, Thomas, Graham and myself. The importance of taking immediate action on the recommendations of this Committee was realised, and it was decided that the members of the Economy Committee should come back to London on 25th August and be prepared for days of continuous sittings. Meanwhile, each of the Government Departments which would be affected by the recommendations of the May Committee Report were to thoroughly examine the recommendations and to submit the results of their examination to the Treasury not later than the 18th August. This would give the members of the Cabinet Economy Committee a week before they met to examine these reports.

I had better now set out the main recommendations of the May Economy Committee. The Committee had construed its terms of reference very widely, and had gone very exhaustively into the budgetary position. After examining the prospective expenditure next year and estimating the probable revenue, including the usual provision for the reduction of debt, the Committee came to the conclusion that there would be a sum of £120,000,000 to be made good next April, either by severe taxation or by economy. On this basis the May Committee had proceeded to make recommendations for economy by reduction of expenditure. They made recommendations which would reduce expenditure by over £96,000,000. The remainder of the estimated deficit, amounting to £24,000,000, would have to be met by increased taxation.

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I had better summarise the main recommendations which the May Committee made for immediate savings:

Reduction in the pay of the personnel of the Fighting Services	£ 2,700,000
Reduction of Police by 12½ per cent.	925,000
Various economies in the Defence Expenditure	1,000,000
Postponement and slowing down of Road Schemes	7,865,000
Reduction of Agricultural Grants	1,000,000
Saving on the Budget of the Empire Marketing Board	400,000
Reduction of the Colonial Development Fund by	500,000
Reduction of Wireless Licence Receipts paid to the British Broadcasting Corporation	475,000
Unemployment Insurance Reduction on Benefits by 20 per cent., the increase of weekly contributions to 10d. each for workers, employers and the State in the case of men, and the application of a needs test by public assistance authorities to all applicants who have exhausted their insurance relief but who are still in the Insurance	66,500,000
National Health Insurance Reduction on the Capitation Payment to Doctors, and other minor savings	1,000,000
Reduction of Teachers' Salaries by 20 per cent. and of the State Grant in respect of Teachers' Salaries from 60 per cent. to 50 per cent., and other minor savings	13,000,000

The aggregate of all these economies, it will be noted, amounted to £96,000,000. Over £80,000,000 of savings the Committee recommended would be obtained by a reduction of the expenditure on social services.

The Committee's Report was a voluminous production, extending to three hundred pages, and it is impossible to attempt to do more than summarise the principal recommendations for immediate adoption. I have given the brief summary above because these items formed the subject of the discussions which followed, both in the

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Cabinet Committee, the Cabinet, and in the conversations which took place between representatives of the Government and the heads of the other political Parties.

With regard to the Unemployment benefits, I may mention that at the same time a Royal Commission on Unemployment Insurance was sitting, and this Commission had presented an interim report two months before the May Committee reported. The May Committee had the advantage of considering the recommendations of this Unemployment Commission, which had proposed to reduce Unemployment benefits for adults by 2s. a week, but the May Committee proposed a rather smaller reduction.

I may mention that the two Labour members of the May Committee did not sign the Majority Report, but presented a Minority Report of their own. This Minority Report dissented from most of the recommendations of the Majority. It disagreed with all the recommendations concerning Unemployment Insurance, but considered that a reduction of teachers' salaries in the region of 12½ per cent. would appear to be justified. In the main the Report of this Minority of two showed no appreciation of the gravity of the national financial position, and followed generally the lines of ordinary Socialist propaganda.

It will be seen that the recommendations of the May Committee had given the Cabinet Economy Committee a hard task. I took no holiday, but remained in close touch with the Treasury and the Bank of England during the succeeding weeks. Within a week, however, of the publication of the May Report the financial situation had become so bad that a meeting of the Cabinet Economy Committee became urgently necessary. The first effect upon foreign opinion of the publication of the May Report and its exposure of the budgetary position estimating the

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deficit of £120,000,000 had been to increase the nervousness among the foreign owners of deposits in this country. The Bank of England was losing gold and foreign exchange very heavily, and day by day the withdrawals increased at an alarming rate. It was clear that if this continued the point of exhaustion would come very soon, with disastrous consequences.

The root cause of this withdrawal of gold and foreign capital was understood to be the belief of the foreigners that our budgetary position was unsound, and that until that was remedied, or until there was evidence that we were taking drastic steps to set it right, this uneasiness abroad would continue. The foreigners did not appear to realise that the budgetary position in this country taken at its worst was much better than their own, for at that time, with one exception, all the foreign countries and the Dominions had proportionately much heavier Budget deficits than we had. Whatever the foundation for this impression abroad might be, there was no doubt about its reality. The efforts of the Bank of England in arranging a £50,000,000 credit through the three Central Banks had not had the desired effect.

When the facts of the large foreign withdrawals of gold and foreign exchange came to my knowledge I felt that we could not wait until the date we had fixed for the meeting of the Cabinet Economy Committee on the 25th August. The collapse was almost certain to come before then if we delayed. So on the 7th August I sent an urgent communication to the Prime Minister (who was at Lossiemouth), and put before him a statement of the serious position, and suggested that he should try to get the Cabinet Economy Committee together as soon as possible. He came back to London at once, travelling overnight, and on his arrival the two of us spent most of the day considering the situation and interviewing a number

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of representative bankers who were called in to a consultation.

Immediately upon receipt of my communication, Mr. MacDonald had given instructions that the members of the Cabinet Economy Committee should be called from their holidays, and the first meeting of the Committee was held on 12th August. Our conversations were continued the following day, and we decided that next year's Budget must be balanced, that every section of the community must make proportionate sacrifices. At the time Mr. MacDonald summoned the Cabinet Economy Committee he communicated with Mr. Baldwin, Mr. Neville Chamberlain and Sir Herbert Samuel. Mr. Baldwin, who was having a holiday at Aix, immediately responded to Mr. MacDonald's request, and Mr. Neville Chamberlain interrupted his fishing holiday in Scotland to meet us in London, and Sir Herbert Samuel also returned from holiday for the purpose.

These three leaders of the Opposition Parties all showed a willingness to be helpful in this crisis, and promised to be available for any further consultations which we might desire. Mr. MacDonald returned to Scotland after these meetings of the Cabinet Economy Committee and these interviews with the Opposition leaders, but three days later came back to London for further sessions of the Cabinet Economy Committee. From that day onward meetings of the Cabinet Economy Committee, of the Cabinet as a whole, and conversations with the leaders of other Parties, kept some of us at work from early morning till late at night. What happened as the outcome of these meetings has been related in inspired newspaper reports, in speeches in the country, and in debates in the House of Commons by individuals who, more or less, took part in them. Of the members of the Labour Cabinet, Mr. MacDonald and myself were the only two

who were present at all these gatherings. We conducted the conversations with the leaders of the other Parties, and reported the results of these conversations to our Cabinet colleagues. I will deal with what happened at these meetings only in so far as to give the correct version of the numerous accounts which had been made public.

As soon as the Report of the May Committee was received, I instructed the Treasury officials to go into the budgetary position with the utmost care, and to submit to me a balance-sheet of the estimated Income and Expenditure for the current financial year which would end on the 31st March 1932, and a similar statement for the following year—that is, from the 1st April 1932 to the end of March 1933.

This examination gave appalling results. Assuming that borrowing for the Unemployment Insurance payments and for the Road Fund ceased and were met out of revenue, the estimated deficit for the current year amounted to £74,679,000, and for the following year to the colossal figure of £170,000,000. This figure of £170,000,000 represented the problem the Government had to solve. This deficit would have to be met by economies and by increased taxation.

The Cabinet Economy Committee submitted to the Cabinet a first draft of economy proposals which amounted to a sum of £78,500,000. Of this sum £50,000,000 was in relation to Unemployment. But it must be understood that these were only tentative proposals suggested for consideration, and they included no cuts in the standard rates of Unemployment allowances. All these suggestions were not strictly economies. The £50,000,000 in relation to Unemployment included a sum of £10,000,000 which represented increases in the premiums of insurance paid by employers and workers. This Report from the Cabinet Economy Committee was considered by the Cabinet on

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the 19th August. This meeting of the Cabinet lasted for nine hours, after which the Press announced that a set of figures had been agreed upon which would provide for balancing the Budget. This statement was not strictly correct. There was a provisional agreement on economies which amounted to £56,250,000; and ways and means of increasing this figure by a saving of £20,000,000 on Transitional Benefit was left over for further consideration.

On the following morning, in accordance with instructions from the Cabinet, Mr. MacDonald and I met the Opposition leaders. Mr. Baldwin was away on holiday, and his place was taken by Sir Samuel Hoare. The Opposition leaders at this Conference were Sir Herbert Samuel, Sir Donald Maclean, Mr. Neville Chamberlain and Sir Samuel Hoare. We put before them a full and frank statement of the budgetary position, and when we disclosed to them the figures I have just given of the appalling extent of the deficit for the current year and the following year, they were naturally staggered. The Conference adjourned to allow the Opposition leaders time for the consideration of our economy suggestions. It was agreed that we should meet again next day to hear their views on the tentative economy proposals we had laid before them. In the meantime the Cabinet sat in the morning and the afternoon, and the figures which we had put before the Opposition leaders on the previous day were considerably modified.

When we met the Opposition leaders after the Cabinet meeting we had to report to them that in regard to Unemployment the Cabinet had rejected the proposal of the Cabinet Committee, and instead of being £50,000,000 it was reduced to £22,000,000. Of that sum of £22,000,000, £14,000,000 was not an economy at all, but really additional taxation. There was to be a contribution of £10,000,000 from employers and employed, and there

was also to be a levy for the Unemployment Insurance Fund of 2d. a week from those who were working. This levy was expected to yield £4,000,000. The effect of the increased contribution from employers and the work-people and from the 2d. levy left only £8,000,000 of real savings on the Unemployment expenditure, and of that sum £3,000,000 had already been decided upon under the Anomalies Act which had been passed by Parliament. The new savings on Unemployment would, therefore, amount only to £5,000,000, and this sum was to be obtained by imposing a Means Test for Transitional Benefit. The paltry character of this economy will be realised when I mention that the estimated cost of Unemployment in the following year would amount to £119,000,000.

The Opposition leaders, after considering the proposals we had submitted to them the previous day for a total of economies amounting to £78,500,000, had been prepared to accept them as a very bold scheme and a courageous attempt to grapple with the realities of the situation. The modified statement which we had to submit to them that afternoon was not regarded as being satisfactory. It would have left about £120,000,000 to be raised by additional taxation. They regarded these proposals as altogether inadequate, and they told us that in their opinion Parliament would take the same view.

On the suggestion of Mr. Henderson, the Cabinet Economy Committee met the General Council of the Trade Union Congress, the Executive of the Labour Party, and the Consultative Committee of the Parliamentary Labour Party on the afternoon of 20th August. At that time it will be remembered the Cabinet had agreed provisionally to economies amounting to £56,000,000, but had declined to make a cut in the Unemployment allowances. I went to this meeting with the Trade

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Union Congress Committee with great reluctance. I had never recognised the right of the Trade Union Congress Committee to be consulted on matters of Cabinet policy. I went to this meeting, however, because, in addition to the Trade Union Congress Committee, there were present representatives of the Labour Party Executive and of the Parliamentary Labour Party. I put before this meeting a statement of the economies on which the Cabinet had already agreed, but pointed out that at present they had not decided upon a reduction in the Unemployment allowances. That statement of mine was construed by the meeting as a definite decision of the Cabinet not to make any reduction in the Unemployment payments.

That, however, was not my intention. There was a division of opinion in the Cabinet on that question, and I did not regard the matter as having been finally closed. As a matter of fact, there was a small majority in the Cabinet favourable to a reduction in the Unemployment allowances. This was disclosed at the time in the *Daily Herald*, the organ of the Labour Party, in full detail, with the names of the Ministers who took the one view or the other. My statement to this joint Conference simply amounted to this, that at that time the Cabinet had not included any reduction of Unemployment allowances in their economy proposals, but the Cabinet did on the following days reconsider seriously the possibility of increasing the total of the economies by a 10 per cent. reduction in the Unemployment benefits.

Mr. MacDonald and myself were instructed to meet the Opposition leaders, and to ask them, without a definite commitment, what their attitude would be if the Cabinet agreed to a reduction in the Unemployment allowances which was estimated would yield £12,250,000, which would bring the total of the relief to the Budget up to £68,500,000. The Opposition leaders told us that if we

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could submit a definite proposal to that effect they might consider if it would be regarded as adequate. As a matter of fact, that figure of £68,500,000 was within £2,000,000 of the total economies which were proposed to Parliament by the National Government when they took office.

To turn back to the meeting with the Trade Union and Labour representatives. After we had left this meeting the Trade Union Congress Committee discussed the statement we had put before them, and late that evening they sought an interview with the representatives of the Cabinet. Mr. MacDonald and I received them. The spokesman of the Trade Unions were Mr. Bevin and Mr. Citrine, the Secretary of the Trade Union Committee. This deputation took up the attitude of opposition to practically all the economy proposals which had been explained to them. They opposed any interference with the existing terms and conditions of the Unemployment Insurance Scheme, including the limitation of statutory benefit to 26 weeks. We were told that the Trade Unions would oppose the suggested economies on teachers' salaries and pay of the men in the Fighting Services, and any suggestions for reducing expenditure on works in relief of unemployment.

The only proposal to which the General Council were not completely opposed was that the salaries of Ministers and Judges should be subjected to a cut! They were of opinion that no economies were needed, and all the revenue that was necessary could be obtained by additional direct taxation and the suspension of the Sinking Fund! The deputation showed no appreciation of the seriousness of the situation; their statements appeared to be based upon a pre-crisis mentality; and the objections they raised to the proposals were those which members of the Cabinet would have taken had the national financial circumstances

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been prosperous. I replied to all the points they raised at some length, but we had to realise that the Trade Union General Council were not prepared to play their part in the existing crisis, nor to accept even the scheme of economies which had already been provisionally agreed to by the Cabinet.

CHAPTER LXXVII

The Story Continued

DURING the succeeding three days, that is, from Thursday 20th August to Sunday 23rd August, Mr. MacDonald and I, with the consent of the Cabinet, had frequent interviews with the leaders of the Opposition. They maintained their attitude that if the Government could not go beyond the figure of £56,250,000 as the total of their economies, they would feel compelled to call for an early meeting of the House of Commons, when they would unite and defeat the Government. Faced with this probability, the Cabinet turned its attention to seeking whether something more could be done. I ought to add that the Opposition leaders were wholly dissatisfied with the proposals of the Cabinet for reducing the cost of the Unemployment payments. The Cabinet, therefore, turned its attention to seeing what could be done to meet the demands of the Opposition leaders on this matter. There was, as I have said, an almost equal division of opinion in the Cabinet on the question of a reduction in the Unemployment benefits.

It was, therefore, decided that Mr. MacDonald and myself should be empowered to submit tentatively to the Opposition leaders a suggestion that if we could increase the economies by £20,000,000, namely, £12,500,000 from the Unemployment Grants and £7,500,000 from other sources, they would regard that as satisfactory. We were placed in a difficult position in making this suggestion, because we had no assurance that if it were accepted by

The Story Continued

the Opposition leaders the Cabinet would agree to do it. However, we put the proposal before them, and we received the impression that if this could be done they would regard the total of our economies as satisfactory. But they urged that this was a matter upon which the bankers should be consulted, and if they were satisfied the Opposition leaders would raise no further objection.

This brings me to the position of the bankers in this crisis. The financial position was daily getting worse. A collapse of credit was imminent, and this would have had a disastrous effect. So much has been said about the dictatorship of the bankers that it is only fair to them to state clearly what their attitude was throughout all these negotiations. In order to fight the financial crisis, the Bank of England was endeavouring to raise a credit of £80,000,000, half of which would be raised in New York and the other half in Paris. The Federal Reserve Bank of New York and the Central Bank in Paris had throughout shown a sympathetic attitude to the financial difficulties in which Great Britain was placed. They had already granted credits for a sum of £50,000,000, and these credits were exhausted. Both New York and Paris were quite ready to grant a further credit of £80,000,000 provided satisfactory assurances for the security of the advances could be given. In fact, the Federal Reserve Bank of New York and the Central Bank of France had issued on their own initiative a reassuring statement as to the British Government's intentions to rehabilitate the national financial position.

Contrary to reports which were circulated that the present crisis was due to a conspiracy on the part of the bankers, the fact was that throughout the banks had shown great willingness to render financial assistance to the Government. All that the foreign banks had insisted upon was that they should be reasonably sure of the

security for the advances they were ready to make. The representatives of the Bank of England made it quite clear that if the economies of £56,000,000 represented the Government's final word, the scheme would be of no value in restoring foreign confidence. They pointed out quite truly that an analysis of that figure showed that the real savings in the expenditure amounted only to about £42,000,000, the remainder being further taxation upon the employers and work-people. Mr. MacDonald and I put before the bankers the suggestion we had made to the Opposition leaders with the consent of the Cabinet that the total economies might be increased by £20,000,000 from the figure of £56,000,000 previously accepted. They thought that if this could be done it might satisfy New York, and the credits sought would be granted. I elaborate this matter because it was upon this that the Labour Government was finally broken up.

A proposal had been strongly pressed from certain quarters that the Budget might be balanced by a suspension of the Sinking Fund. To this I was strongly opposed, because I could not agree to a proposal which was a mere subterfuge to hide the true financial position. It would be at once detected if this were done that the Budget was not balanced, but that the appearance of a balanced Budget had been given by recourse to borrowing. Instead of such a course helping to restore foreign confidence, it would have had the very opposite effect. A further suggestion was pressed very strongly that we might have recourse to a 10 per cent. revenue tariff. A 10 per cent. revenue tariff on certain imported manufactures would, we were told, yield £20,000,000, and a further 10 per cent. on food at present untaxed would probably yield a further £25,000,000. Mr. Arthur Henderson, as he confessed in a speech he delivered on 10th September 1931 to the Trade Union Congress at

The Story Continued

Bristol, was prepared to accept a revenue tariff as an alternative to the reduction in Unemployment benefits. I quote from the *Daily Herald*, the organ of the Labour Party, of the 19th October. It reproduced these words from the speech he delivered on that occasion:

“If I may confess, and I claim to be as strong a Free Trader as any who are here, if I am faced with a large cut in the payments given to the unemployed or a 20 per cent. revenue tariff as an emergency expedient, the revenue accrued therefrom to be assigned to revenue purposes, I am going to try the value of that experiment.”

On Saturday, the 22nd August, the situation was hectic. The Bank of England submitted to Mr. Harrison, the President of the New York Federal Reserve Bank, the tentative suggestion of a reduction of 10 per cent. in Unemployment payments, and £7,000,000 from other sources. Mr. Harrison replied by telephone that, while he was not in a position to give the answer until he had consulted his financial associates, his opinion was that it would give satisfactory assurance, and the credits would be forthcoming. The reply of Mr. Harrison to the enquiry from the Bank of England after he had consulted the financial interests in New York was quite satisfactory. He said that if the proposals approved by the Bank of England were likely to receive a favourable response from public opinion in Great Britain that would be regarded as satisfactory, and there would be no further difficulty in raising the required credits in New York, and the French market would probably raise an equivalent amount.

When this opinion reached us the Cabinet was called upon to make a crucial decision. This decisive meeting of the Cabinet was held at seven o'clock on Sunday, the 23rd August. The split in the Labour Cabinet took place because unanimity could not be reached on the proposal

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to reduce Unemployment pay by 10 per cent. The May Committee had recommended a cut of 20 per cent. It may be mentioned that after a 10 per cent. cut in Unemployment pay the recipients of these payments would be in a better position than they were under the Labour Government of 1924 when there were abounding Budget surpluses. There had been in the meantime a fall in the cost of living which was equivalent to a 30 per cent. increase in the purchasing power of these benefits.

When this final test came the Cabinet would not agree to implement the authority they had given to Mr. MacDonald and myself to submit to the Opposition leaders and the bankers the suggestion for £20,000,000 further economies which would include a reduction of 10 per cent. in Unemployment payments. A small majority of the Cabinet (and this became public property later) were in favour of these further economies, but as we could not have carried a united Cabinet in adopting them, and half the Cabinet would have resigned, the break-up of the Labour Government was inevitable. A cut in the Unemployment pay was repugnant to us all, but we had no choice in the matter.

As so much controversy arose later, both in Parliamentary debates, during the Elections, and on public platforms, as to whether the Labour Government had agreed to economies which were enforced by the National Government, it might be well to place on record the details of the economies which they had accepted:

Unemployment Insurance (limitation of insurance benefit to 26 weeks, means test after that for transitional benefit, removal of "anomalies", and increased contributions	£22,000,000
Education (including 15 per cent. reduction in teachers' salaries)	10,700,000

Carry forward £32,700,000

The Story Continued

	Brought forward	£32,700,000
Defence (including present reductions in pay of the		
Forces)		9,000,000
Roads		7,800,000
Police Pay—first year		500,000
(Second year, £1,000,000)		
Unemployment Grants		500,000
Afforestation		500,000
Agriculture		700,000
Health—Doctors		700,000
Other Economies		1,000,000
Empire Marketing Board		250,000
Colonial Development Fund		250,000
Miscellaneous (including reductions for Cabinet		
Ministers and others)		2,500,000
		<hr/>
		<u>£56,400,000</u>

CHAPTER LXXVIII

The Formation of the National Government

WHEN this final disagreement occurred it was evident that the Prime Minister had anticipated such a development, and had made his plans to deal with it. He asked the members of the Cabinet to place their resignations in his hands. This was done, and the Prime Minister immediately left the meeting to seek an audience with the King to acquaint him with the position, and to advise His Majesty to hold a conference with Mr. Baldwin, Sir Herbert Samuel and himself next morning. The Cabinet agreed to this course. Mr. MacDonald left at 10.10 p.m., and the members of the Cabinet remained in the room to await his return. He came back at 10.40, and told us that His Majesty had accepted his advice to meet Mr. Baldwin, Sir Herbert Samuel and himself next morning at 10 o'clock.

The Prime Minister, quite properly, had kept the King fully informed of the conversations with the Opposition leaders and of the difficulties within the Labour Cabinet. During the week before the resignation of the Labour Government the King had left Sandringham for Balmoral, but on the Saturday before the resignation of the Government the Prime Minister informed His Majesty of the critical situation, and that probably a change of Government might become necessary. His Majesty at once returned to London, and arrived there at eight o'clock on Sunday morning. Mr. Baldwin, who was at Aix, had been informed by his colleagues that his presence in London

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was urgently needed, so he came back at once and arrived in London on the Saturday evening.

Two hours after the arrival of the King from Balmoral, Mr. MacDonald had an audience with him at the Palace, and after this interview a statement was issued from 10 Downing Street, which read: "On the Prime Minister's advice the King has asked Mr. Baldwin and Sir Herbert Samuel to see him, because His Majesty wishes to hear from them themselves what the position of their respective Parties is."

In accordance with this statement, Sir Herbert Samuel and Mr. Baldwin had, separately, audiences with the King that Sunday afternoon.

That evening the fateful Cabinet Meeting was held when the resignation of the Labour Cabinet was agreed upon.

What took place at the meeting with the King and the three Party leaders at the Palace at ten o'clock on Monday morning I do not know beyond what was reported to us by Mr. MacDonald on his return. A meeting of the Labour Cabinet was called for twelve o'clock noon (24th August), and to this meeting Mr. MacDonald reported that it had been decided to form a Government of individuals whose task would be confined to dealing with the financial emergency. Mr. Baldwin and Sir Herbert Samuel were prepared to join such a Government, with Mr. MacDonald as Prime Minister.

The resignations of the Labour Ministers had already been given to Mr. MacDonald, and it was agreed that he should place them in the hands of the King that afternoon.

The developments from that Monday morning's audience with the King came to me quite unexpectedly. I left the Cabinet Meeting at 10.40 p.m. on the Sunday

under the belief that the outcome of the resignation of the Labour Cabinet would be that Mr. Baldwin would be asked to form a Government, and with the help of the Liberals would carry through measures of economy and additional taxation which would balance the Budget and restore national stability. Whatever, at that time, may have been in Mr. MacDonald's mind as to a National Government with himself as Prime Minister he kept to himself, for at a meeting he had with the Opposition leaders at 11 p.m. on Sunday after his return from the Palace he gave them no hint of such a possible development. Mr. Neville Chamberlain, who was present at that meeting, stated publicly a few days later that he went to bed that night expecting that next day Mr. Baldwin would be called upon to form a Government.

Mr. MacDonald at the Palace meeting on the Monday morning agreed to the formation of a National Government, with himself as Prime Minister, without a word of previous consultation with any of his Labour colleagues. He knew he would have the great majority of the Labour Cabinet against him, and practically the whole of the Parliamentary Labour Party. He had, in fact, at that time, no assurance that he could take any of his late colleagues with him. Mr. Baldwin and Sir Herbert Samuel were in a different position. They could count confidently on carrying their Parties with them. Mr. MacDonald at the best could not hope to have the support of more than a mere handful of Labour members.

It was a very strange thing that Mr. MacDonald should have taken this grave step without informing some at least of his Labour colleagues of his intention. He did tell his Cabinet, as I have mentioned, that he intended to advise the King to call the Opposition leaders into consultation, but this was not understood either by them or the Labour Cabinet as the prelude to a National Government.

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When the Labour Cabinet as a whole declined to agree to a reduction of Unemployment pay, Mr. MacDonald assumed too hurriedly that this involved the resignation of his Government. He neither shewed nor expressed any grief at this regrettable development. On the contrary, he set about the formation of the National Government with an enthusiasm which shewed that the adventure was highly agreeable to him.

Mr. Baldwin and Sir Herbert Samuel at once called their supporters together to endorse their action, which they promptly did. Mr. MacDonald, on the other hand, never sought to meet the Labour Party. Two days after the formation of the National Government he sent a private letter to each Labour member of Parliament in which he stated the reasons for the resignation of the Labour Government and the formation of the National Government. This letter was not intended to be published, but some Labour member who received it must at once have handed it to the Press, for it appeared in the evening newspapers the same day.

A meeting of the Parliamentary Labour Party was held on 28th August. Mr. MacDonald did not attend it, nor did he send any message or appeal. This was naturally taken as an indication that he had finally separated himself from the Party and did not want its support. I do not know if Mr. MacDonald had an invitation to attend this meeting. I was not aware of it until after it had been held. Labour members have since complained that Mr. MacDonald and myself did not attend this meeting. Even had I known of it my presence would have been useless, for the day before the Trade Union Council and the Committee of the Parliamentary Labour Party had issued a public manifesto which made any change in their attitude to the National Government impossible. I deal with this manifesto later.

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Taking all these things together, I think they give ground for the suspicion expressed by Mr. Henderson and other Labour Ministers that Mr. MacDonald had deliberately planned the scheme of a National Government, which would at the same time enable him to retain the position of Prime Minister and to associate with political colleagues with whom he was more in sympathy than he had ever been with his Labour colleagues. He had always entertained a feeling of something like contempt for the Trade Union leaders. His mind for a long time before this crisis arose had been turning to the idea of a new party orientation and government by what he called a Council of State. Something of this sort had not altogether been absent from the mind of Mr. Baldwin, for I remember a statement he made two or three years before, that probably the time was not far distant when he and Mr. MacDonald would be sitting in the same Cabinet. This observation was probably due to Mr. Baldwin's shrewd appreciation of Mr. MacDonald's political temperament.

When the members of the Labour Cabinet were leaving after the Prime Minister's announcement that he had agreed to form a National Government, he asked me and Mr. Thomas and Lord Sankey to remain behind. We then had a frank conversation about the new situation which had so unexpectedly arisen. He asked us if we were prepared to join him in the Government which was to be formed. In view of my position as Chancellor of the Exchequer, and the exceptional responsibility I had for helping to get the country out of its difficulties, I felt that there was no other course open to me than to assist the new Government, provided I could get certain assurances as to its character and its purpose. The definite assurances which were given to me were:

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(1) That the new Administration would not exist for a longer period than to dispose of the emergency, and that when that was achieved the political parties would assume their respective positions.

(2) That the Administration would not be a Coalition Government in the general sense of the term, but a National Government for one purpose only.

(3) That as soon as the financial crisis had been settled there should be a General Election, and at that Election there would be no merging of political parties and no "Coupon" or other party arrangements.

(4) That the Administration which was being formed would not propose any party legislation of a controversial character, but would confine itself to the one purpose for which it was being formed.

I had not the least expectation then of the developments which followed later. It never entered my mind that this meant the permanent separation from my former colleagues in the Labour Party. I expected that, though we had differed on what, after all, was a comparatively minor matter, we should be able to resume our former co-operation in the Labour Party when the emergency legislation had been passed.

These views as to the purpose of the National Government were publicly expressed at the time by Mr. MacDonald, Mr. Baldwin and Sir Herbert Samuel. The official statement issued from Downing Street the day the National Government was formed contained the following passage:

"The specific job for which the new Government is being formed is to deal with the national emergency which now exists. It will not be a Coalition Government in the usual sense of the term, but a Government of co-operation for this one purpose. When that purpose is achieved the political parties will resume their respective positions."

The following day in a broadcast address Mr. MacDonald repeated this view. He said:

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"It is not a Coalition Government. I will take no part in that. It is not a Government which compels any party to change its principles or to subordinate its individuality. I should take no part in that either. It is a Government of individuals, formed to do this work. If the work takes little time the life of the Government will be short. When that life is finished the work of the House of Commons and the general political situation will return to where it was last week, and those who have taken risks will receive either our punishment or our reward. The Election which will follow will not be fought by the Government. There will be no coupons, and, I hope, no illegitimate prejudices."

Mr. Baldwin, speaking at a Conservative meeting called to endorse the action of their leaders, repeated in substance what the Prime Minister had said in the quotations I have given. Sir Herbert Samuel, at a meeting of the Liberal members called for the same purpose, after stating that the leaders had the acquiescence of Mr. Lloyd George in the course they had taken (Mr. Lloyd George was ill at the time and had been unable to take part in the consultations with the Labour Cabinet), said:

"This Government is a temporary combination, but in my own view it cannot abandon the task which it has undertaken until it has seen it well on the way to completion."

I had thrown in my lot with the National Government with considerable regret, but from a sense of duty. It was no pleasant experience to be separated, even if only temporarily, from old colleagues and from a Party with which I had been closely associated for nearly forty years. I did not then realise that later developments would exacerbate the relations between ourselves and our late colleagues, and lead to a permanent alienation.

On the 27th August a general manifesto was issued by the Trade Union Council, the National Executive of the Labour Party and the Consultative Committee of the Parliamentary Labour Party which removed any doubt

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I might have felt as to the wisdom of my action in joining the National Government. This manifesto was a shameful travesty of the facts which had led to the resignation of the Labour Government, and a gross misrepresentation of the purpose for which the National Government had been formed. This manifesto stated that the motives which impelled the National Government in its policy of drastic cuts in social expenditure were that this country was setting a bad example to other countries in taxing the rich to provide for the necessities of the poor; that Unemployment benefit was being attacked on the ground that it strengthens resistance to wage reductions; and that the new Government was an attempt to reverse the social policy which provided for the unemployed, the aged and the sick, the disabled, the orphaned and the widows.

This was the first indication of the line the Labour leaders were going to take in repudiating responsibility for economies to which the Labour Cabinet as a whole had agreed. This manifesto did much to change my views about the political honesty of my late Labour colleagues, and to make me doubt whether any future coming together would be possible.

As I have already said, I do not think that Mr. MacDonald felt any regret that the break with his Labour colleagues had come to pass, and later developments have amply confirmed this belief. The day after the National Government was formed he came into my room at Downing Street in very high spirits. I remarked to him that he would now find himself very popular in strange quarters. He replied, gleefully rubbing his hands: "Yes, to-morrow every Duchess in London will be wanting to kiss me!"

It is not for me to say what were the motives which had determined the majority of the late Labour Cabinet

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to take the course they did, but if I might venture to suggest a reason I should say that the opposition of the General Council of the Trade Union Congress was largely responsible for their action. Mr. Arthur Henderson had taken the line that a Labour Government should not carry through a policy in opposition to the views of the Trade Unions. It was a favourite saying of his that "we must take the Trade Union movement with us". Opposition to cuts in the Unemployment payments was given as the reason for their action, but at least half of the Labour Cabinet Ministers who now took up the attitude of opposition to the new Government had been willing, reluctantly I admit, to agree to this 10 per cent. cut being included in the economy proposals.

At the time the Labour Cabinet broke up it was understood that a General Election would follow in the course of a few weeks, and I think it is true that the Labour Ministers were afraid to face the electors with a record of having reduced the Unemployment pay. From information which came to me, I understood that Mr. Henderson and his colleagues were confident that their action in declining to make a reduction in the Unemployment benefits would secure them a majority at the forthcoming Election. They argued that there were about three million unemployed voters, and these with their families and the Trade Union movement as a whole would vote solidly for the Labour Party. This belief showed how little they understood the national character, and how little they realised the force of the case which could be made against them.

My feelings and expectations at the time I joined the National Government could perhaps best be given by reproducing correspondence I had with the Chairman of the Labour Party in my constituency. The first of these

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letters was written late on the Saturday before the resignation of the Labour Government on the Monday. It was written then because of my expectation that the resignation of the Labour Government would be followed by the acceptance of office by Mr. Baldwin, and that a General Election would ensue. My second letter was written six days after the formation of the National Government. The following is a copy of the letter I addressed to the Chairman of the Divisional Labour Party in Colne Valley:

“11 DOWNING STREET,
“WHITEHALL, S.W.,
“22nd August 1931.

“DEAR MR. HEYWOOD,

“I have intended ever since I recovered from my recent illness to inform you that it will not be possible for me to seek election to the next Parliament. Although I have had a remarkable recovery, I am compelled to realise that at my age (I am turned 67) I cannot expect to be able to continue the strenuous life I have lived for the last forty years. I must seek relief from the arduous work of the House of Commons with its long hours and late sittings.

“The political situation makes it necessary that I must, without further delay, convey my decision to you so that you may take steps to seek a new candidate.

“I need hardly add that I have reached this decision with great regret. I shall always remember with pleasure and gratitude my association with Colne Valley, and the confidence and consideration I have received from the constituency.

“Yours sincerely,

“PHILIP SNOWDEN.”

In reply to this intimation I received the following letter:

“August 25th, 1931.

“DEAR MR. SNOWDEN,

“I received this day your letter of August 22nd, and it is with deep regret that I read its contents.

“When one has been in connection with an old standard-

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bearer of a party which set out with the object of improving the lot of the community and transforming society so that hope and happiness would be within the reach of the down-trodden and needy, it is a great shock to me personally to bring myself to realise that there is to be a break in the representation of Colne Valley which you have illuminated with your ability, honesty and sincerity of purpose.

"One realises at your age that your recent illness must have made inroads into a constitution which from outward appearances did not appear to be one of the strongest, but to those who knew you was one of the strongest. However, we cannot expect our men to go on for ever, and I am certain it has caused deep and serious consideration before taking this step.

"Whatever be the outcome of the present political situation, myself along with others in the Colne Valley and the country will reverence your work of the past, and the noble part you played both in and outside Parliament.

"I do hope that there will be long years of life yet in front of you, whereby you will be able to give wise counsel to the movement which has been distinguished by yourself, Hardie, MacDonald and a host of others.

"Again I must say how difficult it is to write about a break in the representation of Colne Valley, where we have not known defeat since you became its candidate, rather we have gone from strength to greater strength, and probably would have done so if it had been possible for you to be at the helm.

"With the best of future good wishes,

"Yours very sincerely,

"E. J. HEYWOOD."

I sent the following letter in reply:

"11 DOWNING STREET,

"WHITEHALL, S.W.,

"30th August, 1931.

"DEAR MR. HEYWOOD,

"I am writing to say how very deeply I was touched by your most kind and generous letter. You will be able to imagine something of what I have been going through during the last fortnight. It has been the most painful experience of my life. I was well aware that the course I have been compelled to take

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would lay me open to misunderstanding and misrepresentation, and would for a time separate me from those with whom I have worked for so long. The difficulty is that the circumstances and causes which have led to this action are so complex and so little understood by 'the man in the street' that misunderstanding is bound to arise. Our position has been made more difficult by the ease with which popular ignorance and prejudice can be exploited. These international monetary questions, on which the very existence of trade and commerce and the employment and welfare of the people depend, are so difficult to explain.

"It was a question of hours whether we should let the situation drift to irretrievable disaster or take drastic steps to avert the catastrophe. We chose the latter, knowing full well the temporary unpopularity and misunderstanding which would result. I was not prepared to face the certain loss of all I have fought for—the destruction of the social services and the reduction of the standard of life for a generation. Some temporary hardship will have to be endured by all classes to save the position, but that will be as nothing compared to the dire consequences which would follow if such action had not been taken.

"I think it is likely that a General Election will take place before the end of the year, for the present Government has been formed for the one purpose only of dealing with the emergency. I hope you will be able to secure a candidate who will keep the seat for Labour.

"To you personally I tender my sincere thanks for the kindness I have always received from you, and our friendship, I am sure, will not be impaired by any differences on matters of a nature which I hope and believe will only be temporary.

"Believe me,

"Yours very sincerely,

"PHILIP SNOWDEN."

CHAPTER LXXIX

The Emergency Budget

As the National Government had been formed for the specific purpose of dealing with the national emergency, it was considered desirable to have a small Cabinet consisting of ten persons. Four of the members of the late Labour Government—Mr. Thomas, Lord Sankey, Lord Amulree and myself—had followed Mr. MacDonald. Lord Amulree had held the office of Secretary for Air in the late Government since the tragic death of Lord Thomson, who was killed in the disaster to the R101 airship on its first trip in October 1930. Lord Amulree continued to hold office in the first National Government, though he was not a member of the Cabinet. Lord Sankey, Mr. Thomas and I retained the offices we had held in the Labour Government. The new Cabinet, as I have said, consisted of ten members, and of these four were Labour men, four were Conservatives and two were Liberals.

The new Cabinet got to work at once, and from its formation up to the meeting of Parliament a fortnight later daily meetings were held. One can never get a true appreciation of the character and qualities of political opponents from contact with them in Parliamentary controversy only. I had formed an opinion of Mr. Baldwin from this experience which was changed by closer association with him. I had regarded Mr. Baldwin as an honest man, by no means brilliant, but possessing a measure of common-sense, which is more useful in politics

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than mere intellectual gifts. My twelve months' association with him in the Cabinet gave me a high opinion of his personal character and of his general capacity. I came to understand the reason why he was held in high regard by his Tory colleagues and by the Tory Party generally. In the Cabinet discussions he wasted no time on mere talk. He listened to what was being said, and at the conclusion of the discussion he summed up the issue in a brief but impressive speech.

It is more difficult to give an impression of Mr. Neville Chamberlain. We had been colleagues on the Liquor Control Board which had been set up during the War. He took little part in the discussions on this Board, and he seemed to me to be held back by a natural modesty. Both Mr. Neville Chamberlain and Mr. Baldwin are instances of men being associated with a political Party by the accident of birth and upbringing. Mr. Baldwin is essentially liberal in his outlook, and Mr. Neville Chamberlain's association with the Tory Party has not destroyed his passion for social reform which he inherited from his distinguished father. Before he entered Parliament he had made a local reputation for progressive ideas on municipal government. He once told me that he was not deterred from extending municipal and public enterprise because some people called it Socialism. His tenure of office as Minister of Health in the Tory Government of 1925-29 was the outstanding success of that Administration. Except upon the question of tariffs I had little occasion during the time I was associated with the National Government to disagree either with Mr. Baldwin or Mr. Neville Chamberlain, and I think I may say that the respect I felt for both of them was reciprocal.

The other two Tory members of the first National Government—Sir Philip Cunliffe-Lister and Sir Samuel

Hoare—impressed me as capable administrators. Sir Philip Cunliffe-Lister has a rather unfortunate Parliamentary manner. He conveys an impression of superficiality which is unjust to him. Personally I liked him much, and I think, apart from his obsession on tariffs, he was a very efficient President of the Board of Trade.

The work of the first National Government was confined to preparing measures for dealing with the national crisis. By common agreement all controversial legislation was suspended. The Tory members of the Cabinet played the game. A small Committee, consisting of myself, Mr. Chamberlain, Sir Herbert Samuel and Lord Reading, was appointed to prepare a plan for the Emergency Budget, which must be submitted to Parliament as soon as it met. As an instance of the non-party spirit which animated the National Government in its early weeks I may perhaps be permitted to mention that, when I submitted to this Committee measures for raising additional revenue by taxation, Mr. Neville Chamberlain remarked: "I suppose that a revenue tariff is ruled out of consideration?" I answered that that was so, and Mr. Chamberlain replied: "I have nothing to say. I do not press it."

The Cabinet decided that it was very necessary that Parliament should be called together as soon as possible in order to get its support for the measures of economy and taxation which would balance the Budget. This was necessary to steady foreign opinion, which was still rather shaky—in fact the withdrawal of gold and foreign currencies continued. After the formation of the National Government the Treasury raised credits in New York and Paris to the extent of £80,000,000. This credit was rapidly being exhausted, and something had to be done at once to stop the drain.

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So Parliament was called together for the 8th September, a fortnight after the formation of the National Government. The measures necessary to balance the Budget had been fully prepared. This expedition in dealing with the crisis was without precedent.

When Parliament met, the House of Commons presented a new and strange appearance. The Labour Party had transferred themselves to the Opposition benches. Only about a dozen Labour members were supporting the National Government. The whole of the Liberal Party had associated themselves with the new Government, and they, with the whole strength of the Conservative Party, occupied the Government side of the House.

When Mr. MacDonald and I entered the Chamber we were received with jeers and ironical cheers from a small section of the Labour Party, but the majority of the Party refrained from any hostile demonstrations.

It was not a pleasant experience for me to find myself facing as an Opposition the Party which I had in the previous session reckoned as my supporters.

Mr. MacDonald opened the proceedings of the sitting with a long explanatory statement of the reasons for the resignation of the Labour Government and the formation of the National Government. On the whole he was listened to without interruption from the Labour Party. When he sat down Mr. Arthur Henderson, who had been appointed the Leader of the Labour Party, rose to reply. He expressed his deep regret that circumstances had arisen which led to the resignation of himself and his friends from the Labour Government, and to the separation from three or four of their colleagues who had been in the forefront of the Labour battle, and who, especially in two cases, had been associated with the building up of the movement. "I want to say this, that whether the

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withdrawal of our colleagues be long or short, whether it be temporary or permanent, it is a direct loss to the Labour Movement." He went on to express his dissent from the claim of the new Government to be a National Government. It could not be regarded as a "National" Government when it was opposed by the largest Party in the House of Commons. The Labour Party had decided to act as an Opposition so long as this Government lasted, and they had to do their best to maintain that position.

He then went on to state at great length the history of the resignation of the Labour Government. He admitted that a serious crisis existed, and claimed that the Labour Government had never denied the fact nor refused to consider it. He went into the greatest detail of what had happened in the days immediately preceding the downfall of the Labour Government, and disclosed the fact that the Labour Government had provisionally accepted economies to the sum of £56,000,000, but had declined to agree to an increase in this figure by cuts in Unemployment payments. These and further disclosures by Mr. Henderson of what happened in the Cabinet was the beginning of a perfect orgy of Cabinet revelations which reached a culminating point during the General Election which followed. He claimed that the reason why the Labour Government fell was because a number of its members were not willing to call for sacrifices from the unemployed. Many of his statements were hotly disputed in interruptions by Liberal and Labour members who had at least as full a knowledge of the facts as Mr. Henderson himself.

This debate had taken place on a Motion by the Prime Minister that on Thursday (two days later) the House would resolve itself into Committee for the presentation of an Emergency Budget. The general debate on this

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motion was continued next day, and on Thursday, 10th September 1931, I presented the most momentous Budget ever submitted to the House of Commons in peace time. I managed to compress it into a speech of only an hour's duration. The House of Commons and the country had been prepared for severe measures, but when I submitted a full statement of the actual position and of the drastic taxation which would have to be imposed to balance the Budget the House was stunned into a painful silence. Even the usually exuberant Labour members forgot to interrupt, and it was only when I reached the concluding sentences that a few of them had so far recovered as to interrupt and jeer.

As this Budget is of historic importance, I will give a short summary of its main provisions. The revised estimates for the current financial year 1931-32, before taking account of economies and new taxation proposals, were as follows:

Revenue	.	.	.	.	<u>£744,200,000</u>
Ordinary Expenditure	.	.	.	.	£772,579,000
Amortisation of Debt	.	.	.	.	46,300,000
					<u>£818,879,000</u>
Estimated Deficit	.	.	.	.	<u>£74,679,000</u>

That was the estimated Deficit on the 31st March 1932.

That was a sufficiently appalling figure, but the worst had still to be told. I estimated that next year, that is the financial year from the 1st April 1932 to 31st March 1933, again before taking into account all economies and new taxation proposals, the deficit would amount to the colossal figure of £170,000,000. That figure was arrived at after allowing for the usual provision for Sinking Fund

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of £50,000,000. This figure of £170,000,000 took account of the following changes as compared with the original estimates for the current year:

Loss of certain non-recurrent items of revenue — (Exchange Account, £23,000,000; Acceleration of Income-Tax, £10,000,000; Rating Relief Suspense Account, £4,000,000)	£37,000,000
Estimated fall in yield of revenue—(Inland Revenue, £35,000,000; Customs and Excise, £4,000,000; Miscellaneous, £7,000,000)	46,000,000
Anticipated increase in expenditure in 1932-33 over original estimates 1931-32, including increase in cost of transitional benefit from £30,000,000 to £40,000,000	17,000,000
Cessation of borrowing for Unemployment Insurance Fund (£60,000,000) and Road Fund (£10,000,000)	70,000,000
Estimated Deficit	£170,000,000

The economy proposals were estimated to give a total relief to the Budget of 1932-33 of approximately £70,000,000. I estimated that the savings in the six months of the current year which had still to run would be about £22,000,000. I proposed to reduce the sum set aside for Debt Remission from £50,000,000 to £32,500,000, which was the sum required to meet our obligations to provide specific sums annually for the reduction of certain debts. This proposal set free for the general purposes of the Budget £13,700,000 in the current year and £20,000,000 in the following year. This saving of £20,000,000 in the next financial year and the economy proposals amounting to £70,000,000 left me with £79,500,000 to be raised by increased taxation. The

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following table shows how the additional revenue from taxation was made up:

	Estimate, 1931-32. Increase.	In a Full Year. Increase.
CUSTOMS AND EXCISE—		
Beer	£4,500,000	£10,000,000
Tobacco	2,100,000	4,000,000
Hydrocarbon Oils	3,900,000	7,500,000
Entertainments	1,000,000	2,500,000
	<hr/>	<hr/>
Total Customs and Excise	<u>£11,500,000</u>	<u>£24,000,000</u>
INLAND REVENUE—		
Income-Tax	£25,000,000	£51,500,000
Sur tax: Additional 10 per cent.	4,000,000	6,000,000
	<hr/>	<hr/>
Total Inland Revenue	<u>£29,000,000</u>	<u>£57,500,000</u>
	<hr/>	<hr/>
GRAND TOTAL	<u>£40,500,000</u>	<u>£81,500,000</u>

It will be seen that 70 per cent. of the increased taxation was direct, and 30 per cent. indirect.

The following table shows how the Budget for the current year and for the succeeding year were balanced:

	1931-32.	1932-33.
Estimated Deficit on exist- ing basis	<u>£74,679,000</u>	<u>£170,000,000</u>
Economies	£22,000,000	£70,000,000
Saving on Debt Amortisa- tion	13,700,000	20,000,000
New Taxation—		
Inland Revenue	29,000,000	57,500,000
Customs and Excise	11,500,000	24,000,000
	<hr/>	<hr/>
	<u>£76,200,000</u>	<u>£171,500,000</u>

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I concluded my Budget Speech in these words:

"I have finished what I described as my very unpleasant task. These proposals are admittedly drastic and disagreeable. They are justified only by the regrettable necessity urged upon us by the present financial position of the nation, but I have received during the last few weeks the most amazing evidence of the willingness of the nation, men and women of all classes, to make their contribution to this effort. This morning my post was like the post of every day for a week past. Old age pensioners have returned their pension books. War pensioners have offered to forgo their pensions for the year. National War Savings Certificates have been returned cancelled. Postal orders, large and small, pour in. Children, even, have sent from their savings-boxes shillings and half-crowns to help the nation in its need. Factory girls have come to me with collections taken in the workshops; and today, following many other similar gifts, I received a 5 per cent. War Loan bond for £1,000 to be cancelled.

"These proposals that I have submitted give everybody the opportunity of contributing. I have tried as best I could to spread the burden of the sacrifice as fairly and as evenly as human ingenuity can devise. To balance a Budget with a deficit of £170,000,000, to spend as we are doing this year, at the expense of the Exchequer, something like £100,000,000 for the relief of Unemployment, is an achievement which no country in the world has ever attempted. The House of Commons will, I believe, accept these proposals, the country will accept them, and in so doing they will show to the world an example of the indomitable British spirit in the face of difficulty.

"All our past proclaims our future:

Shakespeare's voice and Nelson's hand,
Milton's faith and Wordsworth's trust
In this our chosen and chainless land,
Bear us witness: come the world against her,
England yet shall stand."

The scene which followed when I sat down was unprecedented in Parliamentary history. Perhaps I might

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be allowed to describe it in the words of a Parliamentary sketch-writer:

“Such a scene as that in the House of Commons today has not been produced by any Budget Speech of modern times. Having unfolded a scheme of heavy sacrifices to balance his Budget, Mr. Snowden sat down with the cheers of united Unionists and Liberals ringing in his ears. Back bench members rose to their feet to acclaim him. They waved order papers and handkerchiefs, and shouted applause to this little man with the pinched figure, the pallid, almost fleshless face, and the steely eyes, who had demanded from them and the nation new and heavy contributions in the middle of a financial year. But it was not that on which thoughts were centred. When others had run away from the crisis provoked by their policy he stood on the bridge to ride the storm. ‘Bear us witness: come the world against her, England yet shall stand.’ He made the words of Swinburne ring out with a new meaning. Every patriotic impulse was stirred. The appeal was irresistible. For several minutes the ranks behind stood cheering. Front benchmen were compelled to abandon official dignity and join in the applause. It was an amazing scene with these Unionist Protectionists making a hero of a Socialist Free Trader. The House has known many changes, but surely none so dramatic as this. It was not only the temporary emotion that made one think of Mr. Snowden as just the man for such a moment. Martyr or hero is in his make-up. The frail figure with the strong personal force, brought to the front at a time of rare national crisis, dominated the House. The preliminary jeers of his old colleagues and associates left him unaffected. His break with them for the sake of the nation had been the big thing. Their little petulant cries now mattered nothing. But soon he dominated even them so that they had to listen in compulsory silence. Summoning all his physical reserves, he spoke with remarkable clearness and even stridently. ‘And now’, he said, as he held his hand on his forehead, ‘I have balanced my Budget.’ It was a great personal triumph.”

“Mr. Snowden had had his hour, and has bidden such a farewell to politics as is given to few men for their retrospect. He could take the memories of his last Budget into retirement and live in content.”

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Never before in the history of Parliament had members risen to cheer an increase of taxation!

This was the last of four Budgets I had introduced. It was known that it would be my last, for a fortnight before I had announced that I should not seek re-election at the close of the present Parliament.

It was evident that at that time the relations between myself and all my late Cabinet colleagues had not become embittered, for at the close of my speech two of them handed across the table notes expressing warm congratulations upon it.

CHAPTER LXXX

Economies and the Gold Standard

THE day following the introduction of this Budget, the Prime Minister had the disagreeable duty of putting the economy proposals before the House of Commons. I have mentioned that these economies in the aggregate amounted to £70,000,000. This was about £14,000,000 more than the figure to which the Labour Cabinet had agreed. The increase from the Labour Party's £56,000,000 was accounted for by a proposal to reduce the weekly Unemployment benefit by 10 per cent. As this matter has been and is still the subject of bitter controversy, I had better set out what were the actual changes in the rates :

The rate for a man was reduced from 17s. to 15s. 3d.

The rate for a woman was reduced from 15s. to 13s. 6d.

The rate for an adult dependant from 9s. to 8s.

The allowance for a child, which had been raised by the Labour Government from 1s. to 2s. remained unchanged.

In presenting these economy proposals to the House of Commons, the Government adopted an unprecedented method. The House of Commons was not asked to vote upon the proposals in detail. The Government sought general powers by Orders in Council to give statutory authority to the proposed changes. If each item had to be submitted separately it would lead to endless discussion. The power to carry out economies by Orders in Council was limited to a month, after which these powers would lapse.

The economies were strongly opposed by the Labour Opposition. One would have thought that ordinary decency would have prevented them from opposing those particular economies to which the Labour Cabinet had unanimously agreed. But that was not the case. They criticised practically every item of this programme, regardless of their inconsistency. For instance, the Labour Government had agreed to a reduction of 15 per cent. in teachers' salaries. The new Government proposed to reduce them by 10 per cent. But this did not prevent the official spokesman of the Labour Party, who had agreed to the 15 per cent. in the Labour Government, from making a violent attack upon the proposal to reduce teachers' salaries at all. I must say that the opposition of the Labour Party to the economies as a whole was not only unprincipled but very feeble. They made it quite clear that they were going to make their opposition to the cuts in Unemployment pay their main plank at the forthcoming General Election. How sadly they misread the national situation and the spirit of the people was shown by the result of the General Election which followed shortly after.

I had very little difficulty in getting my Budget through the House. The Labour Opposition miserably collapsed, and on one occasion during the Committee Stage of the Finance Bill the House had to adjourn because the Labour Party could not continue the debate. Mr. Henderson, though Leader of the Labour Party, and Mr. William Graham, nominally a deputy leader and the Party's expert on financial matters, were scarcely seen on the benches after the first two days of the session.

The Finance Bill, in addition to the economy and taxation proposals, included clauses designed to facilitate the conversion of the 5 per cent. War Loan to a lower

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rate of interest. I had been, as I have said, for some time very anxious to deal with this question, but the disturbed monetary conditions had prevented this gigantic operation, involving £2,000,000,000, from being carried out. In order to take advantage of a favourable opportunity, I incorporated in this Finance Bill a complete scheme for the conversion. I did not remain in office long enough to have the satisfaction of carrying through this long-cherished desire. Nine months later the financial and monetary position had greatly improved. Interest rates were lower, and on the 30th June 1932 my successor to the Chancellorship, Mr. Neville Chamberlain, announced that he had decided to embark upon the gigantic task of converting the whole of this War Loan into a Stock at $3\frac{1}{2}$ per cent. This operation, if successful, was estimated to give a net saving to the Exchequer of £23,000,000 a year.

The conditions of this conversion were those which had been incorporated in my Finance Bill of the previous September. This conversion was an immediate and complete success. The three million holders of this War Loan responded with unexampled patriotism, and six weeks later the Treasury was able to announce that the amount converted represented nearly the full amount of the loan, and that so far the holders of only £48,000,000 had applied to be paid out in cash. This vast operation was unparalleled in its magnitude and its success.

I now turn back to the financial and monetary position as it existed in September 1931. The Budget had had the immediate effect of restoring confidence abroad. For some days after its introduction the withdrawals of foreign deposits from London fell sharply. Unfortunately, however, that did not continue. Foreign confidence was again shaken by speeches which were made

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and articles written by prominent people advocating inflation and repudiation. The opposition of the Labour Party to the Budget proposals had given the impression abroad that the country was not united. In the world atmosphere of nervousness difficulties developed in foreign countries. This was as much due to nervousness about their own position as to a loss of faith in sterling.

In order to protect sterling, the Bank of England had on the 1st August raised a credit of £50,000,000 in Paris and New York, and this was very quickly exhausted. Further credits to a total of £80,000,000 had been raised by the British Government a day or two after the National Government was formed, but in the prevailing world conditions even this credit had not proved sufficient to stem the tide of withdrawals of foreign deposits from London. By the middle of September the situation had become so serious that there was no other course open but to suspend the Gold Standard.

On 19th September the Bank of England addressed a letter to the Prime Minister and myself stating the serious financial situation, and representing to us that in their opinion it was expedient in the national interests that they should be relieved of their obligation to sell gold under the Gold Standard Act of 1925. The Prime Minister and I spent that week-end in London in consultation with the Bank of England and other financial bodies. We came to the conclusion that we must at once ask Parliament to suspend the gold convertibility of the currency. The amount of foreign assets held in London largely exceeded the amount of the bankers' gold. If the Bank of England in these circumstances remained under a legal obligation to pay out gold on demand the security of the currency might have disappeared.

The next day (Monday, the 21st September), amid great excitement, I introduced into the House of Commons

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a Bill to suspend the Gold Standard.¹ We were well aware that the initial effect on the exchange value of sterling might be serious, but we believed that this effect would be temporary, and that those who had confidence in sterling would not find that confidence misplaced. But we also realised that it was one thing to go off the Gold Standard with an unbalanced Budget and uncontrollable inflation, and another thing to take that measure, not because of internal financial difficulties, but because of the excessive withdrawal of foreign deposits. We had balanced our Budget, and there remained no danger of having to print paper, which leads to uncontrolled inflation. I made an appeal to everybody to keep cool, and not to aggravate the situation by panic.

The suspension of the Gold Standard had not the serious consequences which might have been expected. There was a depreciation in the exchange value of sterling, but this had the result of improving our competitive power in our export trade, though, on the other hand, it placed us at a disadvantage in our imports. Since then, most other countries have departed from the Gold Standard, and at the time I write, economists, financiers and business men are talking about a new monetary system; but, personally, I have not yet seen any practical plan to supersede the Gold Standard, and when international confidence is fully restored and international trade recovers I believe the countries will return to an improved Gold Standard.

¹ See Appendix II.

CHAPTER LXXXI

My Farewell to the Commons

DURING the month from the time when the House of Commons assembled on 8th September to the Dissolution of Parliament on the 7th October, the relations between the Labour Opposition and their late colleagues who were now in the National Government became increasingly strained. A section of the Labour members subjected the Labour Ministers to daily insults; the most offensive insinuations, innuendoes and expressions were constantly flung across the floor. But I am glad to say that these actions were not approved by the more sensible members of the Opposition. I received a number of letters from members of the Labour Party expressing their disapproval of this conduct of the minority of their colleagues. A letter from my old friend, Sir Ben Turner, was typical of these communications. He wrote to me as follows:

“DEAR PHILIP,

“I want to write to you expressing my regret at the turn of events. Nobody can throw a stone at you for your courage and devotion to principle and duty. Those who would throw stones may be those who did it when you took a high stand in 1914. I am, of course, convinced we have to stand with the Labour Party, but that should not prevent any of us having, as I have, a high admiration of your great services to our movement. You are deeming it your duty as you see it. My wife and I know your past. It is a past of bigness and service, and while I have to go with the Party, believing that the new Coalition is not the best way, I recognise that what you have done

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is from the very best of motives and with the knowledge that we ordinary men could not possess. Believe me it is a wrench, but not one that is going to divide our friendship.

“Yours sincerely,

“BEN TURNER.”

I ignored the offensiveness of a section of the Labour Party until the Third Reading of the Finance Bill, when the official spokesman of the Labour Party, who had been a minor Minister in the Labour Government, made a speech which gave me the opportunity to say frankly what I thought about their attitude and their action in running away from their duty to deal with the financial situation. My speech on this occasion deserves a little comment because it was the last speech that I made in the House of Commons. It was delivered on the 2nd October 1931, five days before Parliament was dissolved. I had hoped up to that time that it might be possible, when the work for which we had joined the National Government had been completed, for us to come together once more. But if the Opposition speech which I have mentioned represented the spirit of the Labour Party generally, I saw such a hope must be abandoned.

It was known amongst members that this would probably be the last occasion upon which I should address the House of Commons. When the word was passed round that I was on my feet, members trooped into the House to hear my “swan song”. What they expected I do not know. Did they expect something in the nature of a farewell reconciliation, with perhaps a touch of sentiment? I think I will let the members of the Press Gallery tell the story of this strange and tragic farewell to the House of Commons.

“ But Mr. Snowden said nothing about farewells, and less about forgiveness. It was the valediction of a great

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fighter making one last deadly onslaught before he left the arena, not of a man for whom antagonisms were now bathed in the warm delusive light of sunset.

“ In recent days Mr. Snowden has found it more than ever difficult to remain patient under Socialist questioning and interruption. The acid austerity of the Iron Chancellor's speech provides the answer to those who think that it cost him nothing to part with his lifelong political associates. His final speech was at least artistically in keeping with his whole career. It was an uncompromising performance delivered in a voice which attained unsuspected volume. He went out from the House of Commons which he entered a quarter of a century ago fighting hard, as he had always fought, sparing no one and asking for no quarter. He stood at the table as he had so often stood before, intense, electric, dominating, and aimed his well-directed bolts at his political opponents. But these bolts were not aimed at his old antagonist, Mr. Winston Churchill, but at those with whom he had worked for many years. Mr. Snowden made it clear at once when he rose that he intended to make the sparks fly. Fixing his eye on the almost deserted Front Opposition Bench, he said that the absence of the so-called Leader of the Opposition (Mr. Henderson) had been a marked feature of the debates in the House during the last few weeks. He waited for the uproar to subside. Mr. Henderson has led his Party from some recess behind the Speaker's Chair and his example has been followed by the deputy leaders of the Party. He had been criticised by Labour spokesmen for not imposing new taxation in his Budget of the previous April. In reply to this taunt he said: ‘ Last February I tried to warn the country about the financial position, but I never received one word of public support for the position I put forward from any

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member of the late Government.' He had not only put the position before the House of Commons, but he had put it also much more frankly before a special meeting of the Labour Party. What support did he get? Not any. Leaning across the table, he levelled an accusing finger at the members opposite, and said contemptuously: 'All they did was to talk their usual claptrap about going to the super-tax payer.' (A voice: 'You taught us that!') 'Yes', said Mr. Snowden, 'I tried to teach you, but I am terribly disappointed that my teaching has neither been understood nor appreciated.' (Labour uproar.) The Chancellor then attacked Mr. Henderson, who had said that he was in favour under certain conditions of a revenue tariff. Mr. Henderson was not quite sure whether he was in favour of a 10 or a 20 per cent. tariff, but he was in favour of a tariff. They had been told that fifteen out of the twenty members of the late Cabinet had voted for a revenue tariff. A further statement was made that a number of them were in favour of a whole-hog policy including the taxation of food and raw materials. Mr. Henderson's tariff proposal was that instead of cutting employment benefit by 10 per cent. he was willing to impose a 10 per cent. tariff on the cost of living of the unemployed and every other section of the community. The Labour Party was now enrolled under a tariff banner. Dealing with a remark which had been made from the Labour benches that the only way to save the situation was to abolish capitalism, he said he was sorry he could not introduce into the Finance Bill a proposal for the abolition of capitalism. He would have to leave that for someone else. He added emphatically 'any catastrophic attempt to abolish capitalism would bring greater disasters to the people than those from which they were suffering.' 'We all know

that,' shouted a Labour member. Well, that was at least something he had managed to teach his late colleagues of the Labour Party. He had been criticised for not having taxed the resources of the rich much more heavily. His difficulty with the Labour Party had always been that they could not understand a wink. He had always had to explain to them what was behind the proposal he was making. They could never be satisfied with accepting smaller things as a stepping-stone to something else. Referring to the Labour Party programme as set forth in *Labour and the Nation*, he confessed that he had never read that document, but had read the summary of the proposals, and he had calculated that the cost of all they asked would be something like £1,000,000,000 a year additional on the national expenditure. Could the Labour Party not see that he was not taxing the rich up to 20s. in the £1 because he wanted to leave some treasure in the locker that would be available for the carrying out of the £1,000,000,000 a year programme of the Party! Mr. Snowden concluded: 'This Budget, with all its hardships, has been welcomed with unparalleled acceptance by the whole country. It places the internal resources of the nation on a sound financial basis. On that basis we can build. It is an example of the determination of the British people to face up courageously to adversity.' Before the conclusion of the speech the Labour Party had been stunned to silence, and on the Government side there was at first unconcealed glee at the drubbing he gave the Labour Party. But this mood presently changed to one of strained astonishment at the unlimited capacity of Mr. Snowden's invective. At the close of this speech the Speaker rose to put the motion for the Third Reading of the Finance Bill, but the Labour members were so stupefied that they did not

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challenge a division, and the Finance Bill passed the House of Commons apparently with unanimous approval."

This was my last speech in the House of Commons. It was the strangest leave-taking the House had ever seen. I never dreamt that I should leave the Parliamentary arena in which for over a quarter of a century I had fought so many hard and grim battles for Labour and Socialist principles under such tragic circumstances. Apart from the temporary enjoyment which one gets from attack, it was no pleasure to me to leave the House of Commons estranged from my late colleagues and my old Party.

But this farewell speech was really the measure of my deep disappointment with the action which the Labour Party had taken in this national crisis. I felt keenly that they had made a grave mistake. They had shown themselves to be incapable or unwilling to put aside what they considered to be Party interests and to face a disagreeable and necessary national duty. I was outraged by their hypocritical conduct in disowning proposals to which the majority of them agreed as members of the late Government. I resented deeply their weak surrender to the dictation of the Trade Union Congress. By that action they had shown that they were not a National Party, but the servants of an outside caucus.

A few days after the resignation of the Labour Government, in a newspaper interview Mr. Henderson had said: "Exception has already been taken to the General Council of the Trade Union figuring in these proceedings, but those who take that exception seem to forget why the Labour Party was created and how it was organised. So I have no apology to make on that score, in fact I have no hesitation in saying that so far as I am concerned I

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prefer more rather than less consultation between these bodies." A week later, when addressing the Trade Union Congress at Bristol, he was reported as saying: "I am going to see whether the minds of the General Council and my own have been travelling on similar lines. But, of course, that was only to be expected in view of the fact that these gentlemen here (pointing to the platform) are our bosses."

Until the Labour Party throws off this outside domination and regards itself as responsible to its constituents and the country generally, it can never expect to be regarded as anything more than a class Party. I believed then, and still believe, that if the Labour Government supported by the Labour Party had had the courage to do in this crisis disagreeable, unpleasant, but necessary things, they would have carried the country with them as the National Government did, and raised the Labour Party in the respect and confidence of the nation.

The week following the incident I have been recording, the House of Commons rose for the General Election. Again I will let the Press describe the scene of my final departure from the House of Commons:

The Times.

"Mr. Snowden went home from the House of Commons yesterday for the last time. The new House when it meets will know its loss. Mr. Snowden had been in and of the House of Commons for twenty-one years. From the beginning he made that impression on it which only the force of honest individuality can leave, and he has had at all times the personal respect of the House which the House offers freely to those who, like Mr. Snowden, give it loyally in return their best gifts of mind and character. His personality and debating power marked him as 'front bench timber' very early. But he was not of those whose reasonableness is sweet, or who advance by ingratiation. He is neither unwilling to wound nor afraid to strike. His bitter tongue and angular honesty are equally unconciliatory.

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But both attest the formidable self-reliance which is characteristic of his native West Riding, and has made him without fear or favour a dominating figure in politics. The City itself feels safer with this Socialist Chancellor of the Exchequer than with many of his predecessors. . . . In the exertions of the last five weeks, when every effort must have cost him physical suffering, he had won a great position in the nation."

The Daily News.

"For about fifteen minutes Mr. Snowden sat in his place on the Treasury Bench in a deserted House of Commons. . . . He sat there stiffly upright with his arms folded across his chest, and his lips tightly closed.

"Of what was he thinking? Was he thinking of the many fights he had waged, of how the crowded House had hung on his every word, or how hard it was to leave a place where he had spent so many years? For the last time he would rise from the bench from which he had often risen with zest to hurl invective at his political opponents. For the last time he would walk past the Speaker's Chair out of the House.

"What did he see as he looked at the deserted House? Did he see the figure of the member for Blackburn, burning with zeal for the Labour cause, rise from a back bench opposite in 1906 to make his maiden speech? Or were there other ghosts jostling each other on the vacant benches?

"What did he hear as he sat there in the silent House? Did he hear the cheers of his own people ringing down the years, or the harsher sound that came from the back benches when he ended his last great speech with the brave words—'England yet shall stand'?

"No one could say. He sat there like an image carved out of stone.

"The grimness left his face as he approached the Speaker. Smiling, he shook hands and stayed for a few moments still clasping the Speaker's hand to say farewell.

"Then, leaning on his stick, he walked slowly out of the House."

The Manchester Guardian.

"He passed finally out of the battle to-day. What were his thoughts as he shook hands with the Speaker and made his

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laboured way out of the Chamber? They were perhaps untinged by doubts. He would not have been the fighter he is had he been much a prey to doubts, but he is far from insensitive, and must have felt sharply the amazing irony of the end."

The Western Mail.

"The next good-bye is the most impressive of all, for it is that of Mr. Philip Snowden, the Chancellor of the Exchequer, one of the heroic figures of this crisis. Others in that sombre line, grave or smiling according to temperament, may or may not return from the battle of the polls. It is definite that Philip Snowden will not, for he is not to offer challenge. This is his farewell to the scene of triumph, of greatness, won first in forensic fights of historic bitterness, confirmed in the political confusion of these closing days by renunciation. He has sat alone, sternly occupied with nobody knows what thoughts, while the Commons have trooped to the Lords, unable through his affliction to participate in the ceremony, but now, moving slowly, supported by his familiar two sticks, he follows Mr. Baldwin past the Speaker.

"Moments of swift human drama, and interlude charming and touching, break through the convention of things here. No mere grip of the hand and a brief adieu. The Speaker's hand and that of the Chancellor remain clasped for a long, perceptible space. It is a parting of respect and regard, which is mutually felt. One cannot see the Speaker's face, but over that of Philip Snowden breaks one of those rare smiles which transform the severe contours of the 'Iron Chancellor' and afford a strange peep at the most radiant friendliness in the world. Some murmured words, a tighter grasp of the hand, and the Chancellor, with no backward glance, walks slowly out.

"Behind the Speaker's Chair he holds a short and unexpected court, charming to gaze on. The colleagues of yesterday, led by Mr. A. V. Alexander and Mr. Tom Shaw, sundered in political sympathy by the disruption of events, hurry with outstretched hands to show Philip Snowden that politics are one thing, friendship another, and Philip shakes hands cordially and is glad."

Previous to the General Election I and other Labour members who had supported the National Government

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were expelled from the Labour Party. The letter conveying this intimation to me I reproduce in full without comment. It speaks for itself!

THE LABOUR PARTY.

“TRANSPORT HOUSE,
“SMITH SQUARE,
“LONDON, S.W. 1,
“1st October 1931.

“DEAR MR. SNOWDEN,

“The National Executive Committee, at its meeting on Monday, 28th September, gave anxious consideration to the political situation and the developments which point to a grouping of the opponents of the Labour Party and an attack upon it at an impending Election.

“It was strongly felt that no distinction could be made in the attitude of the National Executive Committee to the actions and negotiations leading to the threatened anti-Labour combination from that shown in the establishment of the New Party by Sir Oswald Mosley earlier in the present year.

“Consequently it decided that Members of Parliament and others who are associated or in future associate themselves with the present Government thereby cease to be members of the Labour Party.

“It is my duty to convey this information to you and to express the regret of the Executive Committee that the decisions of representative Committees of the movement which have already been approved by the Trade Union Congress at Bristol and which will undoubtedly be approved at the Annual Conference of the Party at Scarborough have not been accepted by certain of its representatives, amongst whom are numbered some who have been largely responsible for the creation of its policy and practice.

“Yours sincerely,

“G. R. SHEPHERD.”
(*National Agent.*)

CHAPTER LXXXII

The 1931 General Election

WITHIN a fortnight of the formation of the National Government a section of the Tory Press began an agitation for a General Election. At the same time this question was being discussed in the Tory Party, and particularly among the Tory members of the House of Commons. Near the end of September, the pressure upon Mr. Baldwin from his supporters for an immediate Election became so strong that he could no longer resist the demand. The reason put forward was that the National Government had only a majority in the House of Commons of about 70 members, and that the House as at present constituted did not truly reflect the support for a National Government in the country. With such a comparatively small majority in the House of Commons it was urged that foreign opinion was doubtful about the stability of the National Government.

This was the reason put forward for a General Election, but it did not in truth explain why the Conservative Party were pressing this. The purpose behind this Conservative demand was stated by Lord Hailsham as early as 3rd September. In a newspaper interview he stated:

“The National Government was formed for one purpose and one purpose only, to balance the Budget. It is absolutely essential to finish that task quickly, to do nothing else, and to have an immediate dissolution and an appeal to the country on the Conservative Party’s reconstructive programme. The country could not be saved by economies alone. We must also

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have a constructive programme; and so long as the National Government lasts the Conservative Party cannot proceed with their constructive programme of tariffs and Imperial development, for no one would be so foolish as to believe that the Liberals would agree to such a programme."

Lord Hailsham's demand was taken up by the rank and file of the Conservative members of the House of Commons, and on 22nd September these members sent to Mr. Baldwin a Resolution demanding an immediate Election on the issue of a general tariff, and stating that the Conservative Party should pledge themselves to give full support to Mr. Ramsay MacDonald as the head of the National Government if he would go to the country with their policy. Under this pressure from their party, the Conservative members of the Cabinet raised this issue. Mr. Baldwin came into my room at the House and gave me a frank statement of the position in which he was placed by this decision of his Party. He, himself, was very anxious to stand by the conditions upon which the National Government had been formed, but Party pressure was too strong for him. It will be remembered that the National Government was formed on a distinct pledge that the Government would confine itself to settling the financial crisis, and then the Parties composing it would revert to their former positions of independence. It was at that time clearly understood that there would be no General Election until the work for which the National Government had been created had been completed, and that the General Election which would follow on the completion of that work would be fought upon the usual Party lines.

When the suggestion was first made that there should be an immediate General Election fought on an appeal by the National Government, the Liberal leaders were strongly opposed to the idea, and I entirely shared their

views. So was Mr. Lloyd George, who had not fully recovered from his recent operation. Sir Herbert Samuel and Lord Reading, the two Liberal members of the National Cabinet, were in close touch with Mr. Lloyd George, and they communicated his views to the Cabinet. However, it became quite clear to us that the Tory members of the Cabinet were determined upon their demand for an immediate General Election; and, recognising the futility of further opposition, finally the Liberals and myself reluctantly accepted the position. If a General Election could not be prevented, I felt that the sooner it came the better.

During the last week in September and the first week in October the Cabinet met daily to consider this question. The fact that these discussions were taking place in the Cabinet was well known, and also the differences which were dividing the Cabinet. Efforts were being made to see whether it would be possible for the divergent views in the Cabinet to be reconciled on an agreed formula dealing with the question of tariffs. Sir Herbert Samuel and Lord Reading were unwilling to commit the Liberal Party to any concessions on the question of tariffs without getting the consent of their Party, and they submitted to a meeting of the Liberal members of the House of Commons the formula which had been proposed by the Conservative members of the Cabinet. After this meeting of the Liberal members, the discussions which were taking place in the Cabinet became public property. The formula which had been submitted for the consideration of the Liberal members of Parliament was not acceptable, and an amended formula was put forward by Sir Herbert Samuel and Lord Reading, which was equally unacceptable to the Conservatives. The question at issue was whether the National Government should go to the country and ask for a mandate for the control of imports, while leaving

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the widest discretion as to the means by which such control should be exercised.

During these discussions I worked with the two Liberal members and entirely shared their views. We were prepared to go to the country as a National Government and ask for a mandate to complete our work; but we were not prepared to go to the country on the tariff issue. It was found to be quite impossible to agree upon a formula, and it was finally decided that the Prime Minister, in announcing the Dissolution of Parliament, should issue a manifesto setting forth the reasons for the appeal to the country, and that it should contain a statement of the policy upon which the Cabinet were agreed, namely the stabilisation of the pound sterling and the restoration of British credit; and should ask for a free hand to deal with the question of the balance of trade.

Parliament was dissolved on the 7th October. On the same evening Mr. MacDonald issued his manifesto to the nation. This manifesto was on the lines it had been decided he should take.

In view of the action of the National Government following this General Election, it is important to examine to what extent the question of tariffs figured as an issue at this General Election. The farthest the Prime Minister went on the question of tariffs was contained in the following sentences in his broadcast manifesto:

“As it is impossible to foresee in the changing conditions of today what may arise, no one can set out a programme of appeal on which specific pledges can be given. The Government must, therefore, be free to consider every proposal likely to help, such as tariffs, expansion of exports and contraction of imports, commercial treaties and mutual economic arrangements with the Dominions.”

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Speaking during the Election at Tamworth on the 21st October, he said:

"The position in this Election regarding tariffs and everything else of the same kind is this. I pledge myself to the country, the candidates supporting the National Government pledge themselves to the constituencies, that in the consideration of this trade problem centring round the object and purpose of balancing trade, no proposals seriously put forward will be excluded from consideration. We shall consider everything, and no formulas will prevent us from allowing our minds to come to an independent judgment on the case which is presented. The Election does not give instructions to apply, but it does give instructions to examine in relation to trade problems as to how, and if we consider tariffs advantageous."

Dealing at Wingate on 24th October with attempts which were being made by Tory candidates to give the Election a Party character, he said:

"So far as I am personally concerned, I am not going to be run by any Party. I should not like to turn your attention to considering what might have been if an election had been fought by the Conservatives standing alone. But ponder over it. It may be they might try to put something over us. I am not their man. I am going to enquire into tariffs with an open mind, and if there is going to be any partisan manœuvring, then I am not their man."

Mr. Baldwin spoke at Leeds on the 20th October. He said:

"After all, what is the fundamental issue? It is not Socialism. It is not Individualism. It is not Free Trade. It is not Protection. But it is this. Will you in the hour of your country's need entrust her destinies to a Government selected from all the great parties in the State who are willing to work together harmoniously in the interests of the country, who are trying to pull together and pull the country through without disaster to your money, to your food or to your employment. Will you give them when you send them to Parliament that free hand for which we ask? Will you allow us to employ whatever measures after deliberation we may decide to be the best?"

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Speaking four days later, he said :

“Perhaps I should say a word about those who have tried to confuse the issue with demands to revive the Free Trade-Protection controversy of twenty-five years ago. Now that is not the real issue. Here the Prime Minister and Mr. Snowden have both stated the position fairly accurately, that the National Government must be free to consider any and every expedient which may help to establish the balance of trade.”

Sir Herbert Samuel in his election speeches took the same line. In his election address he used these words :

“The people are not called upon now to decide for or against a general and permanent system of tariffs. This is not the issue at this Election. That is not included in the Prime Minister’s appeal. The people are called upon to give or withhold their trust in a Government composed of men of all Parties; to give us or to withhold a mandate to take whatever measures, no matter what might be their nature, which the present emergency might be found to require.”

In view of the part that Mr. Runciman subsequently took in imposing a complete system of tariffs in this country, it may be interesting to give the following quotation from a speech he delivered in his constituency on the 2nd October :

“While I would not be a party to permanent tariffs being imposed, at the present time I am prepared to take such steps as are necessary to preserve our national balance. I would not be in favour of an import duty on food. What we ought to cut off is imported luxuries.”

I made my own position on the tariffs issue quite clear in a broadcast speech on the 17th October. I said :

“There is no more stern and unbending Free Trader than I am. If Free Trade or Protection were the issue at this Election I should be on the side of Free Trade.

“I do not believe that the Conservative leaders would regard a majority obtained in the circumstances of this Election as

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giving them a mandate to carry a general system of Protection in the new Parliament.

"Such a radical departure from our established fiscal system could not be made without an emphatic and unequivocal decision of the electorate."

Mr. Neville Chamberlain, speaking at Dudley on the 26th October, the eve of the poll, referred to tariffs and preferences as follows:

"All these matters are going to be examined carefully, thoroughly, exhaustively, impartially by the National Government when it is formed again.

"But you have not got to decide tomorrow whether you are going to have a tariff or Free Trade."

These extracts from the speeches of political leaders during the Election show that a mandate to establish a system of general Protection was neither sought by nor given to the National Government. There had been a good deal of talk about the alleged adverse balance of trade, and what the National Government sought was a mandate to consider tariffs among other suggestions as a means of redressing the adverse trade balance if, after exhaustive examination, it was found that an adverse balance of trade actually existed, and, if so, that tariffs would be a suitable means of dealing with it.

But, as a matter of fact, the question of tariffs was not at all an important issue at this General Election. The issue upon which the electors voted was whether the government of the country should be handed over to the Labour leaders who had failed in their duty at a time of national crisis, or whether the National Government should be continued in office until it had completed the work of rehabilitating the national financial position. Assured by the declarations of the National Party leaders, as Mr. Baldwin had put it, that Free Trade or Protection

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was not an issue, millions of Free Trade votes were cast for Conservative candidates at the Election.

I think I may modestly claim to know something of the mind of the electorate and of the considerations which determined their votes. Owing to the state of my health, I was not able to take the platform, but I used the microphone and the Press with what the newspapers described as "devastating effect" to expose the inconsistency of the Labour Party and their lack of courage in facing their duty in a grave national emergency. Every day from the first day of the Election campaign to the eve of the poll I launched attacks upon my late Labour colleagues. I did this in no vindictive spirit, but because I was firmly convinced that it would be a national disaster to give power to a Party which had shown itself unworthy to be trusted with the responsibility of office.

The British Broadcasting Corporation placed the microphone at the service of the leaders of the three political Parties. I gave one of the talks, and my effort was universally believed to have had a great influence on the result of the Election. The Labour Party gave me the credit, or, as they put it, discredit of being responsible for the tragic fate which overtook them. I am inserting in the Appendices a full report of this talk, and also copies of a few other messages I issued during the Election campaign. These messages were all published in full in the newspapers, and provided material for the speeches of the National candidates.

Mr. Henderson, Mr. Graham and Mr. Clynes broadcast appeals for the Labour Party, and I am sure that their appeals did more harm than good to their Party.

After each of these Labour broadcasts I followed them up with replies in the Press exposing their inaccuracies and giving the facts about their commitment to economies which they were now repudiating. From the beginning

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of the campaign the Labour leaders were in a hopeless position. Their attempts to wriggle out of their commitments, when members of the Government, to most of the economies the National Government had imposed carried no conviction, but served to emphasise the public impression of their own insincerity.

The day before the polling an incident arose to which I must make some reference, as it is still a subject of recurring misrepresentation by the Labour Party.

Mr. Runciman made a speech at Newcastle in which he said :

“In April and August last the Labour Government were anxious about the position of the Post Office Savings Bank Deposit. This is what happened. A substantial part of the assets of the Post Office Savings Bank had already been lent to the Insurance Fund. That brought home to the Cabinet the difficulties with which they would be faced if serious distrust of British credit set in. If that was not enough to open their eyes to the situation nothing would be. There was nothing in which people trusted more than the inviolability of the Post Office Savings Bank.”

My attention was called to Mr. Runciman's remarks, and I made the following statement :

“Mr. Runciman's warning to depositors in the Post Office Savings Bank and other thrift societies is well founded. The Labour leaders when they ran away were well aware that I had warned them of the peril which threatened the savings of the poor. That peril is past, due to the measures which the National Government has taken. There is now no danger, but if the Labour Party with its programme of huge borrowing and increased taxation were returned it would at once become a real danger again.”

In the course of a reply by Mr. Arthur Henderson to these statements by Mr. Runciman and myself, he said :
“Is it not significant that Mr. Snowden's statement,

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although it appears to confirm Mr. Runciman's allegation, does not, in fact, do any such thing."

Up to the time of Mr. Runciman's statement and my comments upon it, I had made no direct reference whatever to this subject of the Post Office Savings Bank. I had pointed out that if the British Government had not balanced the Budget, but gone on borrowing and resorting to inflation by printing paper money, what had happened in Germany and France would undoubtedly have happened here. In Germany all invested capital had become worthless by the depreciation of the currency, and in France by the devaluation of the franc four-fifths of the people's savings had been wiped away. But, as I said in the statement quoted above, that possible danger in this country had been removed by stopping borrowing, balancing the Budget, by the maintenance of the internal purchasing power of the currency, and by the general restoration of British credit.

There never had been any doubt that the result of the General Election would give a large majority for the National Government, but the actual result surpassed the wildest expectations. The Labour Party were not merely defeated, but decimated. After the polls had closed, I sat in my room at Downing Street until three o'clock in the morning to receive the Election results by wireless. It seemed almost incredible that Labour seats which had been held at previous Elections by enormous majorities should have fallen to the assaults of the National candidates. Every member of the late Labour Cabinet, with the exception of Mr. George Lansbury, was defeated, and of the minor Ministers only a few were successful. The Labour Party returned only 52 members, and the total Labour vote fell from 8,380,000 to 6,650,000 votes. Nobody had expected such a result. The most optimistic

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forecast had given the National Government a majority of not more than 200 seats. The actual result had given the National Government a majority of 563 members!

Immediately after the result of the Election was known, the Prime Minister set to work to reconstruct the Cabinet. Since the formation of the National Government the Cabinet had consisted of ten members only, but it was now restored to the usual number, and Ministers holding important Ministerial offices were now included in the reconstructed Cabinet. Lord Reading, who had held the post of Foreign Secretary since August, asked to be relieved from office for business reasons, and Sir John Simon, who had hitherto not held office in the National Government, succeeded Lord Reading.

As I was no longer a member of the House of Commons, it was essential that I should resign my office as Chancellor of the Exchequer. Representations were made to me from the highest quarters that I should remain in the Government and take a post which had no Departmental duties, and at the same time go to the House of Lords to strengthen the Government Bench in that Chamber. I took the office of Lord Privy Seal, on the understanding that I should be available for any special duties which might arise. It had been assumed that Mr. Neville Chamberlain would succeed me as Chancellor of the Exchequer, a post which he had held for a few months in 1923.

It was known, of course, that tariffs would be one of the matters which would receive the consideration of the new National Government in connection with the question of the balance of trade. Sir Philip Cunliffe-Lister had been President of the Board of Trade, and I felt strongly that the two key posts in the Government on the

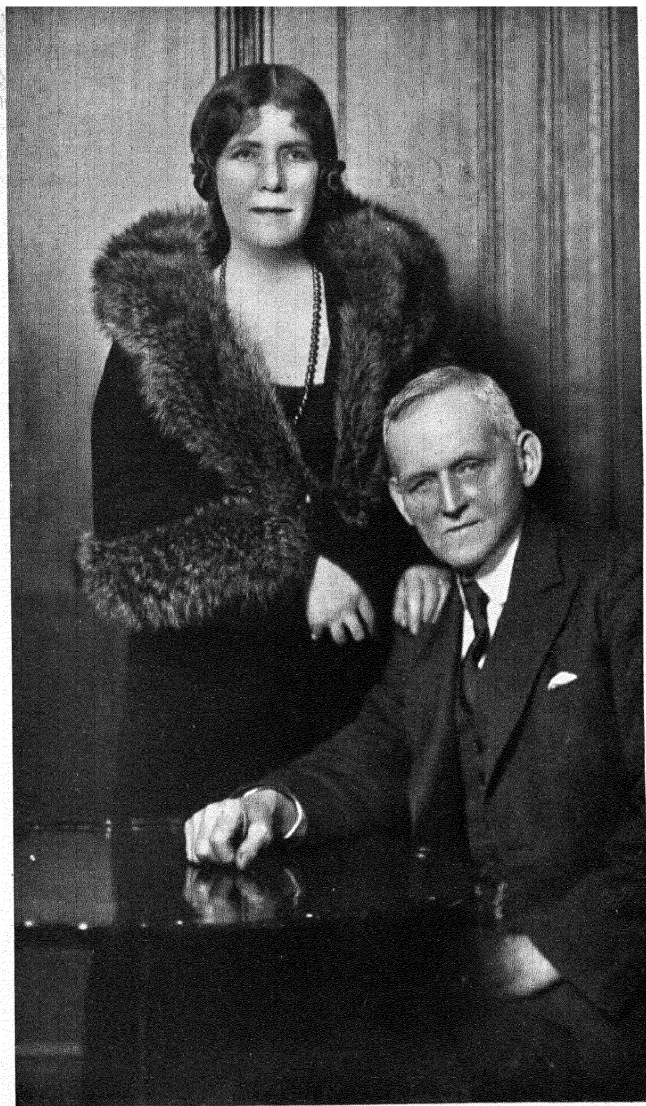


Photo by Bassano

TAKEN IN DOWNING STREET, November, 1931.

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question of tariffs should not be held by two such pronounced Protectionists as Mr. Neville Chamberlain and Sir Philip Cunliffe-Lister. I made representations to the Prime Minister to this effect when he was reconstructing the Cabinet, and I suggested to him that Mr. Walter Runciman might be appointed President of the Board of Trade, and that Sir Philip Cunliffe-Lister might be transferred to the Colonial Office. The Prime Minister agreed to this suggestion, and offered the Board of Trade to Mr. Runciman.

I had suggested Mr. Runciman for this position because of his pronounced views on Free Trade. He had been regarded as one of the strongest Free Traders in the country, holding his views with an unshakable tenacity. How tragically mistaken I was later events proved! Mr. Runciman was not at first disposed to accept office. When the Prime Minister offered Mr. Runciman this position he came to see me and explained that his business connections made it difficult for him to take office in the Government. I explained to him how anxious I was that he should go to the Board of Trade to hold the fort for Free Trade against the assaults of the strong Protectionist elements in the Government. He said that he quite realised the importance of the Free Trade position being represented in the Government, and promised to consider the matter for a day or two. He finally agreed to accept the office of President of the Board of Trade. I hope that the Recording Angel has kept no note of my responsibility for Mr. Runciman's appointment to this office!

CHAPTER LXXXIII

I go to the House of Lords

THE announcement of my elevation to the peerage was made on the 17th November. This was a step which had been generally anticipated, and the announcement, therefore, caused no surprise. There were, of course, the expected comments in the Press about the strange turn of events which had brought the former Socialist agitator and unsparing critic of the capitalist system into the House of Lords, but almost without exception the Press comments were favourable and complimentary.

The reason for my acceptance of a peerage were quite well understood. I hope I shall be believed when I say that a peerage had no attraction for me, and if I could have remained in the Government without going to the House of Lords I should very much have preferred that course. But, being no longer a member of the House of Commons, there was no other means by which I could do that than to go to the House of Lords. Even if I were no longer a member of the Government I did not wish to drop out of politics altogether, for after forty years of political activity it had become part of my life, and I felt that a seat in the House of Lords would give me the opportunity, when I felt disposed to do so, to use the House of Lords as a political platform.

A week after the announcement of my elevation to the peerage, I took my seat in that Chamber. It is the

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custom for a new peer to be introduced by two peers of his own rank. I had asked two old friends of mine, Viscount D'Abernon and Viscount Lee of Fareham, to do me the honour of discharging that necessary function. It is said that onlookers see most of the game, so I will let the Press correspondents describe the ceremony.

"A large company assembled to witness it. Not since Mr. Asquith's introduction to the House of Lords was there such a large attendance of peers and spectators as upon this occasion. Conservative and Liberal peers were there in strength to welcome him. The benches on which the peers sat were well filled, and the steps of the Throne set apart for Privy Councillors who were not members of the House of Lords were crowded. Peeresses thronged the galleries, and the public gallery was fuller than it had been for years.

"The Labour members deliberately boycotted the ceremony. A mean-minded action by men of puny calibre who never would have seen the inside of the House of Lords if it had not been for Mr. Snowden.

"The Lord Chancellor took his seat at a quarter to four o'clock, wearing a black three-cornered hat above his full-bottomed wig.

"As the House waited for Lord Snowden's arrival one's mind went back to when he was the type of all that was stern and unbending in political faith. Yet, after all, it is events that have moved around, not he. A Radical he was, and a Radical he still remains.

"Almost immediately after, the procession crossed the Bar of the House. First came Black Rod in his black and gold uniform, then followed Garter King-at-Arms resplendent in his tabard of the Royal Arms, behind him marched the Lord Great Chamberlain, a tall soldierly figure in scarlet uniform, then came Lord D'Abernon, the first of the new peer's sponsors, tall, white-bearded, wearing his peer's robes. He was followed by Viscount Snowden and Viscount Lee of Fareham, the second of the two sponsors, who brought up the rear.

"Lord Snowden looked well. His robes seemed to add to his height, and his always remarkable breadth of shoulder helped to conceal his limp. He still had to use his sticks,

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however, and the procession suited its pace to his, moving slowly up the House to the Woolsack.

"Here Lord Snowden handed to the Lord Chancellor the Writ of Summons. It was noticed that Lord Sankey, the Lord Chancellor, gave Lord Snowden an unusually warm welcome. When he reached the Woolsack, Lord Snowden, if he had followed the traditional ceremony, would have knelt on one knee, but Lord Sankey, fearing perhaps that Lord Snowden would be unwilling in spite of his infirmity to leave any part of the ceremony undone, rose quickly, took a few steps forward, extended both his hands towards Lord Snowden's right hand, and smiled with unusual warmth at him.

"Viscount Snowden then took the Oath and signed the Roll. The Lord Chancellor rose and shook hands heartily with the new peer.

"The trying part of the ceremony that followed was perfectly carried out. It must have been an ordeal. The procession reformed, marched across the Chamber, along the back of the table, where the three peers formed a line and bowed to the Lord Chancellor, who saluted in return by raising his cocked hat. Down the lower half of the Chamber on the Government side the procession moved again amid silence and the sympathetic gaze of the onlookers, and arrived back on the Opposition side. The three peers took their seats on the Viscounts' Bench, the front bench below the gangway.

"The Garter King-at-Arms stood facing them. At his signal they donned their cocked hats, at a second motion of his hand they rose, turned towards the Lord Chancellor and raised their hats. Lord Sankey bowed and raised his hat in return. Three times was this done.

"Once again the procession was formed and reached the Woolsack. Here, standing in a row, the three peers made their final obeisance, donning and doffing their cocked hats. Lord Snowden made each movement with impressive dignity.

"Then as the procession moved forward, Lord Sankey rose, came forward to him and shook him warmly by the hand. The ceremony was ended. Lord Snowden and his sponsors walked slowly past the steps of the Throne and out into the ante-room beyond."

CHAPTER LXXXIV

A Constitutional Revolution

THE new Parliament was summoned immediately after the result of the General Election was known. It assembled for the election of the Speaker and the swearing in of members on the 3rd November 1931. The King's Speech was delivered on the 10th November, and the debate on the Address in reply occupied the House of Commons for a week. In view of what followed, attention should be called to this statement in the King's Speech:

"The Nation was also invited by my Ministers to empower them to pursue a policy designed to fully establish confidence in our financial stability and *to give them authority to frame plans for ensuring a favourable balance of trade.*"

It is clear from this that at that time the Government interpreted the mandate they had received from the country to give them authority not to carry out a general scheme of Protection, but to frame plans for dealing with the alleged adverse balance of trade. If, *after a full examination of the problem*, the Government came to the conclusion that temporary tariffs might be advantageous in this connection, they were entitled to apply them under the declarations which had been made at the Election by the Prime Minister, Mr. Baldwin and Sir Herbert Samuel.

The fact that Mr. Runciman, the President of the Board of Trade, had a Bill for the application of temporary tariffs ready for introduction immediately the debate in the Address was concluded shows that no examination

into the problem of the balance of trade had been made by the Government. It had been assumed without any examination that drastic measures should be taken at once to restrict imports by means of tariffs. It is quite true that the imports of certain articles had increased considerably in the previous two months, but the explanation of that was obvious. British importers had naturally assumed from the speeches of Ministers preceding and during the General Election that tariffs might be imposed, and they were anxious to forestall this possibility by replenishing their stocks before this should happen. They did not accept Mr. Chamberlain's statement that the foreigner would pay the duties!

Mr. Runciman's Bill, which became the Abnormal Importations Act, was hurriedly rushed through Parliament, and it came into force on 20th November. This Bill empowered the Treasury to issue Orders imposing duties not exceeding 100 per cent. on commodities which the Board of Trade considered were being imported into this country in abnormal quantities. This Act was followed almost immediately by a similar Measure aimed at the same object, placing duties on horticultural products in similar circumstances. The Board of Trade lost no time in applying the Abnormal Importations Act. On the day it came into force the Board of Trade issued its first Order under the Act which imposed duties of 50 per cent. upon a very large number of imported articles. This was quickly followed by further Orders.

Free Traders did not oppose these measures, as they were temporary in their operation. The Act was to continue in force for a period of six months, and no longer. Mr. Runciman had defended these Acts on the ground that they were designed to deal with an emergency, and were not intended to prejudice the Government's fiscal enquiry. Free Traders could not take the respon-

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sibility of breaking up the National Government at that stage, and were willing to wait until the outcome of the promised full examination into the existing economic emergency had been made. They had accepted the declarations made by the Party leaders at the Election, and affirmed in the quotation I have given from the King's Speech that any proposals which might be made *after an impartial enquiry* would be for the purpose of the present emergency, and would not commit the country to a permanent system of Protection.

Although the Free Trade Ministers had not opposed the Abnormal Importations Act, we were very much concerned about the immediate future of fiscal policy. Mr. Runciman's speeches in defence of the Abnormal Importations Bill had given a clear indication that he was abandoning his Free Trade principles and was prepared to go a long way on the road to Protection. He tried to reassure me that he was still a Free Trader. He defended what he had done up to the present on the ground that the tariffs which he had imposed were only temporary and intended to redress the balance of trade. It is quite true that before Mr. Runciman joined the National Government he had in a speech in the House of Commons advocated the prohibition of luxury imports as a temporary measure, but he assured me that he had no intention of embarking upon a policy of general Protection.

At that time a powerful section of the Tory members of Parliament were pressing hard for a tariff on iron and steel. Mr. Runciman had met these Tory members in a Committee Room of the House, and made a speech against tariffs on iron and steel which made a great impression. He also made a similar speech in the House of Commons. He assured me that if the Government decided to impose tariffs on imported iron and steel he would resign rather than support the proposal. His

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assurance, however, did not satisfy me, but left the impression that he could no longer be relied upon to offer opposition to an extension of tariffs, on which the Protectionist members of the Government were clearly determined.

I consulted with my Free Trade colleagues, and we agreed that the situation was serious, and that we must see the Prime Minister and put before him our views. I accordingly sent the following letter to him:

“72 CARLISLE MANSIONS,
“WESTMINSTER,
“2nd December 1931.

“MY DEAR PRIME MINISTER,

“Some of us are perturbed about the rapidity with which we are drifting into a full Protectionist policy. We have accepted the doses which have been given up to now with reluctance, but it seems clear from what happened at the Cabinet this morning that a large section of the Cabinet are going to force the full Protectionist and Preference policy, including food taxes on practically every staple article of food. I feel that by making concessions in one direction and another to the Protectionists we are getting into a compromised position.

“I feel that it is necessary that you should know how I am feeling about these matters. I cannot go on sacrificing beliefs and principles bit by bit until there are none left.

“There are other members of the Cabinet who are feeling as I do, and we think it only fair to you as well as ourselves that we should let you know. We would like to see you and talk matters over to try to clarify the position.

“Could you arrange to see us on Monday? It is necessary we should see you before the Cabinet meeting next Wednesday when these matters are likely to come to an issue.

“Yours sincerely,

“SNOWDEN.”

In reply to this letter the Prime Minister wrote to say that he shared my feelings and would be very glad to see

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us on Monday afternoon. He asked me to invite the members who were growing disturbed, and said I should invite Runciman to come to the meeting, which he suggested should be of the nature of a deputation to him. Sir Donald Maclean, Sir Herbert Samuel, Sir Archibald Sinclair and myself were on this deputation, and Mr. Runciman was present. We talked for half an hour. The Prime Minister, as usual, was discursive and incoherent, and when we left the meeting we asked each other what he had said and where he stood, but none of us could give the answers to these questions. The only clear impression we had gathered from the meeting was that we could not rely upon the Prime Minister to resist the policy of his Tory colleagues.

Just before Christmas a Committee called the Balance of Trade Committee was appointed to examine this subject and to submit proposals. Before the Committee met, Mr. Runciman had been active in trying to get the support of members of the Committee to a plan for a general revenue tariff of 10 per cent. His main motive appears to have been to get a revenue which would enable a reduction of the Income-Tax to be made. He talked about a reduction of a shilling in the standard rate. He had to my knowledge been pressing this on his Liberal colleagues. Sir Herbert Samuel and Sir Donald Maclean came to see me before Christmas and put this proposal before me.

A few days later Mr. Runciman came down to Tilford at his own request, and urged me to accept this proposal. He argued that this plan might be accepted by the Protectionist members of the Balance of Trade Committee, and thus we should avoid more extreme tariff proposals. He pressed strongly the precedent of Holland, practically a Free Trade country, which had a low general tariff for revenue purposes. We had a long talk, and the outcome was that I said that he could not expect me to commit

myself to such a proposal, but I would think it over. I gave him no encouragement to believe that I should support it, but I learnt later that he had given both his Liberal colleagues and the Chancellor to understand that I was in favour of it, and that they could count upon my support. He had no ground for saying this from anything I had said to him. Mr. Chamberlain some time before had publicly expressed himself against a mere revenue tariff as being of no use from the Protectionist standpoint.

The Balance of Trade Committee held several meetings during the Parliamentary recess in January. The memoranda prepared by the Board of Trade under Mr. Runciman's directions were all directed to supporting the tariff proposals.

At the final meeting of this Committee I announced that I could not subscribe to the Majority Report, and would submit a Note of Dissent. The morning of the final meeting of this Committee Sir Herbert Samuel came to me and told me that he too could not agree to the Majority Report, and would submit alternative proposals.

The Majority Report had recommended an all-round *ad valorem* duty of 10 per cent., with additional duties on the recommendation of an Import Duties Advisory Committee in cases which appeared to them to be either articles of luxury or articles of a kind which are being produced or likely within a reasonable time to be produced in the United Kingdom in quantities which are substantial in relation to the United Kingdom consumption.

In my memorandum of dissent from the recommendations of the Committee, I stated at length my objections to their conclusions. I was not convinced that it had been proved that an adverse balance of trade really existed. If it did, the results would be shown in the depression of the exchange value of sterling, but as a matter of fact the pound had kept fairly steady since the departure from the

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Gold Standard at a figure round what we were told was its real external value. I expressed the view that the Majority Report without proof assumed an adverse balance of trade, and that we were in danger of applying medicine to cure a suspected disease which had not been thoroughly diagnosed, and about whose existence we were not quite sure. The recommendations of the Committee travelled far beyond its terms of reference, which were to find means of restoring the balance of trade if it was proved that an adverse balance existed. The recommendations were for a complete and permanent reversal of our fiscal policy; they laid the foundations of a Protectionist system upon which a complete structure could be built. How true this forecast was is abundantly proved by the experience of two years of the working of the recommendations of this Committee, which were incorporated in an Act of Parliament.

I have said that the memoranda and statistics submitted to the Committee by the Board of Trade were tendentious in their character, and clearly aimed at supporting the case for tariffs. It was put before the Committee that the results of an application of tariffs would be to decrease imports by £52,000,000 in 1932, and to increase exports by £106,000,000! How fantastic these assumptions were is shown by the experience of two years of the actual working of the Committee's recommendations. In 1932, the first year of the operation of tariffs, British exports, instead of increasing by £106,000,000, fell by £25,000,000 below the figure of 1931, the lowest year of Free Trade; and in 1933 the exports were £23,000,000 below the 1931 figure!

My memorandum of dissent and Samuel's memorandum were submitted to the Cabinet with the Report of the Majority, to which all the members of the Committee had agreed except Samuel and myself. The Cabinet sat

for the whole day (21st January) for the consideration of the Report and the memoranda submitted by Samuel and myself. It was quite evident from the beginning of the meeting that agreement on the Report could not be secured. Samuel and myself were strongly supported in our attitude by Sir Donald Maclean and Sir Archibald Sinclair.

When the Cabinet broke up, the four dissentients grouped themselves together to take counsel. The Prime Minister joined us and expressed his desire to talk things over with us. It was arranged in this conversation that the five of us (the Prime Minister, Sir Herbert Samuel, Sir Archibald Sinclair, Sir Donald Maclean and myself) should meet at my flat at 8.30 that night. They all came. The Prime Minister stressed his personal position. If we resigned he would carry on, but his position would be embarrassing and humiliating. He made the suggestion that the resignations might be averted by conceding to the dissentient Ministers the liberty to publicly express their dissent. This was considered, but dismissed as impracticable and Gilbertian. Mr. MacDonald left us after an hour and a half's talk in the belief that there was no means of reconciling the differences.

The Cabinet met next morning, and in order to avert the resignations of the dissenting Ministers a suggestion was made which was ultimately adopted and which created a revolutionary precedent in Cabinet procedure. The suggestion was the one the Prime Minister had mentioned to us the previous evening, namely, that the difficulty might be overcome and the resignations averted by suspending the practice of Cabinet responsibility and allowing the dissenters a free hand on the tariff proposals. They might be left free to speak and vote against them in Parliament and in public.

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Although the Minister who had put forward this suggestion said that he was speaking entirely for himself, the alacrity with which it was received gave me a strong suspicion that it had been prearranged. There had been a private meeting of a few Tory members of the Cabinet on the previous evening, and it came out later that this way out of the deadlock had been discussed.

Sir Donald Maclean said that we were bound to give serious consideration to any suggestion which would avert the break-up of the Government, and we asked to be allowed to retire to consider this proposal. We did so. Maclean summed up the situation with much force. I said I was not enamoured of the idea, but if we did not accept it we should be open to the charge that we had rejected an unprecedented offer of personal freedom, and that we were determined to break up the Government and were indifferent to the consequences of such action. I had all along urged that if we had to resign we should be assured that our position was impregnable and that we had been driven to that by the attitude of the Tories. Sinclair and Samuel agreed, and after a few minutes we went back to the Cabinet and stated our decision.

We asked for and obtained a clear understanding of what the agreement to differ meant and involved. We would accept the offer on condition that we were to be free to vote and speak against any tariff proposals, whether purely Protectionist or under the guise of a revenue tariff. This freedom was to extend to Members of Parliament supporting the National Government. The Party Whips were not to exert any influence to get M.P.'s to vote for tariff proposals. Freedom was to be given to Liberals to run Free Trade candidates at the elections if they promised general support to the Government.

Our Cabinet colleagues accepted this interpretation of the agreement, and five members of the Cabinet were

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appointed to draw up a Press announcement, which appeared a few hours later. In view of the historic importance of this agreement, this statement must be reproduced in full. It was issued from 10 Downing Street on the 22nd January, and read as follows:

"The Cabinet had had before it the Report of its Committee on the Balance of Trade, and after prolonged discussion it had been found impossible to reach a unanimous conclusion on the Committee's recommendations.

"The Cabinet, however, is deeply impressed with the paramount importance of maintaining national unity in the presence of the grave problems now confronting this country and the whole world.

"It has accordingly determined that some modification of usual Ministerial practice is required, and has decided that Ministers who find themselves unable to support the conclusions arrived at by the majority of their colleagues on the subject of import duties and cognate matters are to be at liberty to express their views by speech and vote.

"The Cabinet being essentially united on all other matters of policy believes that by this special provision it is best interpreting the will of the nation and the needs of the time."

This announcement aroused considerable interest in the country, and on the whole was received with satisfaction. A few sticklers saw in this departure from precedent a constitutional revolution which might have disastrous consequences. Mr. Lloyd George, who was now in opposition to the Government, confessed that he had not a ghost of an idea what it meant. A few other Liberals who were hostile to the Government and who were anxious that the Liberal members should withdraw, expressed their amazement at this departure from constitutional usage.

It may be interesting to give Lord Oxford's views upon this question of Cabinet unity. In his *Fifty Years of Parliament* he writes:

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"In the Cabinets of the first thirty years of the nineteenth century, though with the exception of that of 'All the Talents' in 1806, and possibly that of Canning in 1827, they should all be called Tory Governments, there were questions of what would appear to us to be of vital importance . . . —in regard to which were openly avowed and tolerated differences of opinion. The convention of what Harcourt calls Cabinet 'solidarity'—that is, of such an appearance of unity as compels a dissident to resign his office before he openly speaks and votes against the policy of the Administration—may be said to date from the Duke of Wellington's Government in 1828."

The day after this announcement was made, Sir Herbert Samuel issued to the Press a statement of the reasons why we had agreed to accept this unprecedented offer of freedom on the tariff question. His statement was such a clear and concise explanation of our reasons that I reproduce a few paragraphs from it. He said:

"The Cabinet recently appointed a committee that included nearly half its members to consider the question of the balance of trade, and that committee by a large majority resolved in favour of certain proposals. I dissented from some of the most important, and in a memorandum put forward an alternative policy. Lord Snowden also expressed his disagreement, and when the matter came before the Cabinet, Sir Donald Maclean and Sir Archibald Sinclair shared the opinion that a case had not been established in favour of the measures in question, and that they were open to grave objections in the national interests.

"The courses which were open to the Ministers who were opposed to the tariff proposals were—first, they might have agreed to subordinate their opinions on the ground that larger issues predominated and they might have concurred in the action proposed by the majority. That we could not do.

"The second alternative was that the other members of the Cabinet should agree to subordinate the opinions held by them out of deference to the views of the Minority. That was an equally impossible course.

"Thirdly, the dissident Ministers might have insisted on their resignations. In view of the international character of the chief problems with which we were confronted and the import-

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ance of maintaining as far as possible a united front in attacking them, that would have been most regrettable and would have been deplored by the nation at large.

"The only other course was frankly to suspend, in this instance and for the time being, the rule which has long prevailed of the collective responsibility of Ministers.

"After full consideration we agreed to fall in with this suggestion."

This, in brief, is the story of the days of crisis which ended in a constitutional revolution.

When the House of Lords met on the 10th February, this question was raised by Lord Banbury in the form of a direct vote of censure upon the Government for abandoning the doctrine of Cabinet responsibility. As one of the Ministers responsible for this innovation, I was expected to defend the action of the Cabinet. This was my maiden speech in the House of Lords. In expectation that I should speak upon this motion, there was a very large attendance of peers, and the visitors' galleries were packed. The newspapers were interested to see how I should accommodate myself to the strange atmosphere of the Gilded Chamber. I was not in the slightest degree nervous, and felt as much at home as if I were addressing the House of Commons. The House of Lords, however, is a very different place to speak in from the House of Commons. One who has long been accustomed to the turmoil and the excitement of the House of Commons debates might find the frigidity of the House of Lords rather disconcerting. The peers, apparently, consider it to be beneath their dignity to give vocal expression to their agreement with or dissent from the sentiments which have been expressed by a speaker. A newspaper correspondent, commenting upon my first intervention in the House of Lords debates, wrote:

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"Lord Snowden has become almost a cult in latter-day politics. He exercises the subtle fascination of what repels. In triumph he remains the dourest, bleakest, loneliest silhouette on the Westminster skyline. The subject which ushered this noble figure into a fresh arena could not have been better chosen.

"The motion guaranteed an incidental discussion on Free Trade, and when Lord Snowden talks on Free Trade he is on ground that renews his strength like Antæus, and his arrogant prowess grows magnificent.

"In the same comfortable lounge suit he wore in the Commons, the ex-Chancellor awaited the occasion with calm, sometimes folding his arms and sometimes sticking his thumbs in the arm-holes of his waistcoat—two variations of a yeoman attitude. His nearest colleagues—Protectionists both—left a wary gap on either side."

While writing on the House of Lords debates, I may remark that I do not agree with Lord Oxford's opinion expressed in his "Memoirs" that the debating ability of the House of Peers is low, and would hardly do credit to a County Council. Nor have I ever spoken to one who has had experience of both the House of Commons and the House of Lords who shares that opinion. I think that on the whole the debates in the Lords are quite up to the level of those of the House of Commons, though that may not be much of a compliment to the House of Lords. It must be remembered that practically all the peers who take part in debates have been members of the House of Commons. But the debates in the Lords are conducted with more decorum, and do not encourage the combative method which is effective in the House of Commons.

Mr. Asquith once told me a good story about Robert Lowe, who was created Lord Sherbrooke. Someone asked him how he liked speaking in the House of Lords. He replied: "It is like talking to an audience of corpses in a charnel-house by candle-light!"

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Let me turn back to my speech on this occasion. I explained the reasons why the Free Trade Ministers had accepted the offer of the agreement to differ. I did not on this occasion deal with the question of Free Trade, except in so far as it was the controversial issue on which the Free Trade Ministers had offered to resign. I emphasised the fact that this idea did not come from us but from the Protectionist members of the Government. I declared that we remained in the Cabinet solely on condition that we had the same freedom to express our views on this question as those who took the opposite view. We would not be content to remain silent and allow the Protectionists to carry on in the country a raging propaganda in favour of Protection. Upon this vital matter we certainly would not be tongue-tied. We might be mistaken, I said, but we held with the fullest conviction that the tariff proposals of the Government would be disastrous to the economic and industrial life and prosperity of this country. This question will be the issue of the next Election, and it would not be fair to expect that Free Traders could leave the field between now and the General Election for the Protectionists to entrench their position, and that we should allow the question of Free Trade to go by default.

The occasion rose a fortnight later for me to put before the House of Lords a full and reasoned defence of Free Trade. In the meantime the Import Duties Bill had passed through the House of Commons, and it reached the House of Lords on 29th February.

The debate upon it took place that day. The Bill was moved by Lord Londonderry. His speech might not inaptly be described by a paraphrase of Addison's famous line as "praising with faint damns". Lord Londonderry had had far too much experience of business to be deluded by the fallacies of the Protectionist arguments. He sup-

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ported the Bill on the ground that it might possibly give a bargaining power to induce other countries to reduce their tariffs.

As this was an historic occasion, being the last Parliamentary debate on Free Trade before the country abandoned that policy and adopted a system of Protection I am appending to this volume the full text of my speech.¹

The following comment was made upon this speech in a leader in the *Manchester Guardian* :

“Lord Snowden’s speech on the Tariff Bill was a great speech which for its clarity of form and vigour and liveliness of argument will live in the political annals as an historic protest against economic folly.”

During the next few months nothing of importance happened which needs comment. The Imports Advisory Committee were busy imposing additional tariffs under pressure from inefficient industries, and their recommendations were warmly supported, until in the course of a few months we had become a full Protectionist country.

While in office I took an active part in the debates in the House of Lords. I dealt with Treasury and financial questions which came before that Chamber, and, at the request of Sir Herbert Samuel, the Home Secretary, I took charge of his Children’s Bill, and piloted it through all its stages in the House of Lords. I declined, however, to take charge of the Annual Finance Bill when it came up from the House of Commons because it contained proposals with which I did not agree.

¹ See Appendix VII.

CHAPTER LXXXV

Resignation from the Government

THE outcome of the Ottawa Economic Conference held in August 1932 brought about a situation which made it impossible for the Free Trade members of the Government to be any longer associated with it. I was not a member of the British Delegation to Ottawa, and I cannot, therefore, write from personal knowledge of what took place. But I know sufficient from confessions that were made to me by members of the Delegation that the delegates had, in the words of one of the British delegates, "a hell of a time". It would be very illuminating if we could get from the British Delegation a frank account of their experiences and their views of some of the Dominion representatives. Mr. Neville Chamberlain gave us a sidelight upon the harmony of the proceedings at Ottawa when he said that he had found the bonds of Empire had worn very thin. The "harmonious" proceedings at the Conference were on the point of breaking up at two o'clock on the morning of the day when the British Delegation was due to leave Ottawa. A complete break-up was only averted by further concessions made by the British Delegation.

All the Dominion delegates were obsessed by the idea of economic nationalism, and they threatened, as Mr. Bennett did at the London Conference, that if the British Delegation would not agree to their demands they would make arrangements with foreign countries. This was admitted by Lord Hailsham, a member of the British

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Delegation. The principal Australian delegate publicly stated that unless Great Britain was willing to concede their demands "we should have to go outside to foreign countries and we should take away the preference from you".

The British Delegation came away from the Conference weary and tired, went to the boat, and it could be well understood what took place there. They probably said to each other: "Well, we're out of it! Now we shall have to make the best of it. We cannot admit failure! We shall have to describe it in the words of Lord Hailsham as 'having done big things', or in the words of Mr. Chamberlain as 'the greatest achievement in a year of wonderful endeavour', or in the words of the Manifesto the Delegation issued on their arrival in England, 'that what we have achieved is far greater than our expectations'. Two months later Mr. Baldwin, speaking on the Conference in the House of Commons after two months' deliberation on the results of the Conference, was more frank. He said: "What have we got out of this? What does it mean in trade? I answer quite frankly—I do not know."

When the first Report of the Ottawa Conference was published it was quite clear it contained proposals to which no Free Trader could agree. The Free Traders of the Cabinet would at once have to decide what their attitude to the Report should be, and whether they could continue as members of a Government committed to carrying these proposals into effect.

The Free Trade members of the Cabinet had been reduced to three by the regrettable death of Sir Donald Maclean, which had occurred two months before. Sir Donald's sudden death was an irreparable loss, not only to Free Trade but to the Liberal Party. The Prime

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Minister appointed a Tory Protectionist to succeed him as President of the Board of Education.

On the publication of the Ottawa Report I felt it was necessary that the remaining Free Trade Ministers should get together to consider the situation. The following is a copy of a letter I addressed to Sir Herbert Samuel on the 23rd August 1932. My own attitude to the Ottawa proposals is stated in this and the following letters and in my letter of resignation published in the Appendix to this volume.

“EDEN LODGE,

“TILFORD,

“23rd August 1932.

“RT. HON. SIR HERBERT SAMUEL, M.P.,

“THURSO CASTLE, THURSO.

“MY DEAR SAMUEL,

“Well—what about Ottawa? My first strong reaction to the Report is that if it is acted upon, which I suppose is inevitable, it will make my position in the Government impossible and intolerable. I fully realise the difficulties of our delegation, but they have been outmanœuvred at every point. They began well, and I had hopes they would maintain the position they took up at the beginning by not agreeing to anything which would hamper our tariff negotiations with foreign countries. But they seem to have been terrified by the fear of a break-up of the Conference. Bennett's hectoring and bullying has been too much for them. So far as I can understand the Report, we have given up entirely our fiscal autonomy, and surrendered our power to use the new tariffs as a bargaining weapon to get foreign tariffs down, which was the main defence of the tariffs used by Runciman and Baldwin and indeed by all of them. We are now pledged to maintain the existing tariffs, and to increase them in certain circumstances, as in fact is to be done in several of the food taxes. We are to tax wheat and maize and raise the price of meat by some incomprehensible plan for restricting foreign imports. I do not see that the Dominions are making any concessions of the least value. They are to have a free market here, with protection all round against the foreigner,

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and their own industries are to remain highly protected against British manufactures. We know how that has worked in Australia and Canada. It will be controlled by the big business interest. Their surcharges are to be maintained 'until their financial position improves'. But you know all these things, and I need not elaborate them.

"We shall have to make up our minds what we are going to do. We have gone a long way towards cutting off our retreat, and now is the last opportunity of retrieving our position. If we accept any compromise on these agreements we are lost, and are irretrievably committed to the whole Protectionist policy. And not only that but to the whole policy of the Government whatever they may do in future on this and every other matter. It is not for me to suggest what this means for the future of your Party. You will consider and decide that, but my own feeling at present is that I cannot be dragged along this road any farther, with the loss of all honour and self-respect. We have now the last opportunity to withdraw, and we can do that with a very good case. We have shown a genuine desire to co-operate with the Government, and made great sacrifices, but there has been no reciprocity. Every election pledge has been flagrantly broken, and the country committed to a Protectionist policy far beyond what a Tory Government would have dared to carry in face of strong opposition.

"I do not know what Runciman's position will be. He has never figured at all in the Press reports of the Conference. He will have difficulty in reconciling his support of the Wheat Tax with his pledges, but perhaps no greater difficulty than in defending what he has done already. But there is this difference in his position. He defends himself up to the present on the ground that he was to use the present tariffs to enter into negotiations with foreign countries for tariff reductions, but his hands are now tied more strongly than ever.

"I suppose there will be an early meeting of the Cabinet to consider the Ottawa Report. I think our best tactics at that meeting will be not at first to be openly critical but to seek information as to the bearing and implications of the agreements, being careful not to commit ourselves. It would be well if we could have a meeting before then to consider our procedure. You will show this letter to Sinclair. Later we could call in Foot and Hamilton and the other Free Trade Ministers.

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I have not written to MacDonald at all about Ottawa, but he has written to me twice lately about our general position in the Government, professing grave anxiety and discontent with the way we were being driven to support a purely Tory policy. But he is a man of moods. I have no doubt he will support the Ottawa agreements, but if there be large resignations his position will be very difficult, leaving him, as he said when the last resignations were threatened, 'not a Prime Minister, but the Chairman of a Tory Cabinet'.

"I shall be interested to hear what your own and Sinclair's feelings and views are. Mine I have tried feebly to express.

"I hope you are having a refreshing holiday.

"Yours sincerely,

"SNOWDEN."

A letter from Sir Herbert Samuel crossed mine in the post, and it was almost in the identical terms of my letter to him.

A meeting of the Cabinet to receive the Report of the British Delegation to the Conference was held on Saturday, 27th August, and after this meeting I sent the following letter to the Prime Minister:

"TILFORD,

"FARNHAM,

"29th August 1932.

"THE RT. HON. J. RAMSAY MACDONALD, M.P.,

"BALMORAL CASTLE, N.B.

"MY DEAR MACDONALD,

"I do not know what impressions you carried away from the Cabinet Meeting on Saturday, but you seemed very unconscious or complacent about the troubles which were obviously ahead of you. You cannot be so innocent as to imagine that the Free Trade members of the Government are going to acquiesce in the Ottawa agreements. I do not know if the Press has been prompted, but on Sunday it was practically unanimous in announcing that there had been complete agreement in the Cabinet, and that the Free Trade Ministers had accepted the

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tariff proposals for the increased food taxes. This, as you know, is not the case. Samuel, speaking for all of us, expressly reserved a declaration of our attitude until the further papers had been produced. But there is no doubt as to what that declaration will be when Samuel returns from the Channel Isles. If you have any impression that we shall agree to the proposals already known to us or that we shall be satisfied with the 'agreement to differ', you are under a strange delusion. The Ottawa agreements are the final and complete triumph of the Tory Protectionists, and if the Free Trade members of the Government were to be now content to 'disagree', and remain in a Government which was carrying through a permanent policy of full Protection, they would be justly objects of contempt and derision. The reasons which induced us unwillingly to accept the compromise last February no longer have any weight with us, nor has any appeal to my personal loyalty to you so long as you acquiesce in such a policy, and are used by the Tories as their instrument for carrying out a Tory policy. You appeared to realise this in the letters you sent to me three weeks ago. You then seemed anxious to have a talk with me, but you have sought no opportunity for such a conversation. I had arranged to hold myself at your service all this last week-end, and to remain in London over Sunday if you wished to see me. But you appear to have preferred to spend that day with Simon and Baldwin. I have not had three minutes' private talk with you this year. I should have thought on such a momentous matter as these Ottawa agreements, and you knowing my views, you would at least have sought to find out what I was thinking and likely to do.

"Samuel's absence will delay the announcement of our resignations, and we shall have to consult with the minor Free Trade Ministers so that our resignations can be simultaneously announced.

"This letter is not a formal offer of my resignation, as I am acting in full harmony with my colleagues, and I do not want to appear to have precipitated their action. But I thought it only fair that I should warn you of what is coming.

"In view of your own declarations, and even those of Baldwin, at the General Election, I can hardly imagine this letter will come as a surprise to you.

"Yours sincerely,

"SNOWDEN."

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To this letter I received a reply by return of post in which Mr. MacDonald said that he was under no delusions at all, but doubted very much if I would agree with Ottawa. He had not had time to examine the Report very closely, but he was concerned about the national situation which would be left if there were political changes. He asked me not to overlook the fact that we, the Labour Ministers, have heavy responsibilities for the last Election and the present distribution of political power. He did not seem to realise that these "heavy responsibilities" were to carry out the pledges given at the last Election, and prevent the Tories from using the National Government for Party advantage.

During the following days I kept in close touch with Sir Herbert Samuel, and we were in complete agreement as to the course we should follow. On the Prime Minister's return to London on the 5th September I made a further request that we should meet to talk over the situation. He came to my flat on Friday afternoon, 8th September, and we had a talk for an hour and twenty minutes.

He was evidently disturbed about his personal position, and kept on repeating: "I do not know what to do", but he thought that after the World Economic Conference an opportunity for resigning might come, when he could say "We have done our work". But I pointed out to him that if that Conference were a success he would be heartened and not inclined to resign, and if it were a failure he could only resign by admitting failure. It was very difficult to bring him to the point of discussing the resignations of the Free Trade Ministers. I gathered by inference that he was not very much troubled about it. In fact he gave me the impression that he would be relieved if we went, as then he would have a united Cabinet.

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That same evening I had a telephone message from Samuel to say that there had been a meeting of the Liberal Ministers, and they all agreed to fall in with the recommendation of himself and Sinclair to withdraw from the Government. He expected the resignations would number twelve. This action had the support of the older statesmen of the Party—Reading, Crewe and Buxton. Grey had written to say that he would not dissent from any course that was adopted. He had put the reasons for remaining in the Government, but concluded that if he were in the Government he would probably follow the course suggested. I might say that in the previous week I had had a letter from Grey in which he had put this view.

Next morning, Friday, 9th September, Samuel called to see me. He repeated what he had told me over the telephone the previous evening, and seemed very pleased with the result of the Liberal meeting. We discussed the future procedure. The Liberals would issue a joint letter of resignation setting out their reasons, and also a memorandum summarising the objections to the Ottawa agreements. He quite agreed that we must consult the convenience of the Prime Minister as to the time of announcing the resignations. Meanwhile we would let him know what was going on so that he could be prepared to fill our places, and so that the names of the new Ministers could be published almost immediately after the public announcement of our resignations.

During all this time I was in constant communication with the Liberal Ministers and worked in full co-operation with them. After my interview with the Prime Minister which I have described, I had no further personal communication with him. The Liberal Ministers met him on two occasions, and they reported the result of the interviews to me. The dissenting Ministers were very anxious

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that the announcement of their resignations should not be delayed, but the Prime Minister said that he did not want the formal resignations until about the end of the month, as it was desirable to have a Cabinet Meeting, which it was not possible to have sooner. For various reasons he made excuses for delaying to summon this meeting.

As I pointed out to Samuel, there was "tactics" in this, as it would enable the Tory members to carry on a campaign to raise prejudice against the Free Trade Ministers. Although, as I have said, I had no personal communication with the Prime Minister after the interview I have reported, he did write to me a long letter on the 14th September, the purport of which can be gathered from my reply to it, which was as follows:

"TILFORD,

"FARNHAM,

"15th September 1932.

"MY DEAR MACDONALD,

"I have your letter of the 14th. The point you put to me as to the effect of a break-up of the present Government by a large number of resignations, especially on the International situation and the forthcoming World Economic Conference, is not new to me. It has been urged upon us every time there has been dissension through the determination of the Tories to force a full Tory policy. Your own personal position, which I agree is difficult and will be still more difficult if you continue as the Prime Minister of what must be a Tory Government, has always hitherto made an appeal to our loyalty. You would like to get out, you say, but feel bound in honour to stick it. But there is a limit to the response to this appeal to personal loyalty, and others, too, must consider their honour. Has it not occurred to you the proper people to whom this appeal should be made to consider national interests, and to subordinate personal views on principle in those interests, are your Tory colleagues? They have sacrificed nothing, but have used the enormous Tory majority we gave them at the Election to carry

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out a Tory policy and to identify us with it. We have sacrificed our Party and ruined the political careers of a score of young Labour M.P.'s.

"I am not in the least influenced by the talk of the effect the break-up of the Government will have upon the World Economic Conference. There never was any prospect of that doing much good, and any such prospect has been destroyed by the decisions of the Ottawa Conference which has closed the door to any international tariff arrangements.

"You, I know, realise as well as I do, and indeed as well as the Ottawa delegates do, that the agreements are a piece of colossal humbug. There has been nothing so dishonest as the pretensions of the delegates about the 'great success' of the Conference and the campaign in the Tory Press to deceive the public about it. The sooner the new official paper containing the Schedules is published the better it will be for political decency. You will then get such an exposure of the Schedule E Tariff rates as will surprise you.

"To turn to your suggestions about the date of our resignations. I want to go as soon as possible, and before the whole Ottawa conspiracy is exposed. From what I have already said, you will gather that I could not contemplate the expedient of making the Economic Conference an excuse for delaying my resignation. The Tories have destroyed that Conference already. This, I believe, will be one of the main reasons the Liberals will urge as a reason for their resignations.

"I am seeing the Liberals tomorrow, and the date of our resignations will be considered. They are in the difficulty that their National Executive meets next week to consider Ottawa, and the Ministers, who have acted so far on their own views, do not want to appear to have been forced to it by their Executive.

"Then there is another strong reason for our early resignation. You say you have made 'discreet enquiries' about the effect of our resignations. *The Times* leader yesterday showed they knew what was going on, and if we delay we are just giving the Tories a fortnight's run to raise public opinion against us while we have no chance of replying. 'Thrice is he armed who gets his blow in first.'

"I do not know what the Liberals will decide on this point. It is a pity so many Ministers are away, but if the matter is so

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important as to need a Cabinet Meeting they ought to be called back as soon as possible. A fortnight's delay while the Press is attacking us is not fair to us. I think you ought to consider getting an early meeting, if you really think it is necessary.

"You ask me to let you have my views on the matters you raise in your letter, and I have tried to give them with perfect frankness.

"Yours sincerely,

"SNOWDEN."

"RT. HON. J. RAMSAY MACDONALD, M.P.

"P.S.—I shall draft my letter of resignation after the meeting with the Liberals tomorrow, so it will be ready whenever it is convenient for you to receive it."

After this letter I wrote twice to the Prime Minister stressing the urgency of an immediate Cabinet Meeting if he considered such to be necessary before our resignations. However, he was adamant, and raised all kinds of reasons why it could not be held earlier than the end of the month. Simon was away in Geneva attending the Disarmament Conference and a meeting of the Council of the League, and could not be back at the earliest before late on the 27th. The Prime Minister seemed to think it was of supreme importance that Simon should be present at the meeting.

The Prime Minister got his way, and the Cabinet was not called together until 28th September. In the meantime, out of deference to the Prime Minister, we withheld our resignations. I was the first to arrive at the Cabinet Meeting. Mr. Baldwin came in next, and said he understood we were going, and he would like to express his deep regret and to say how happy he had been to work with me, and should always feel kindly towards me. On personal grounds I reciprocated these sentiments, for I always found Mr. Baldwin a very agreeable person with whom to work, and I had learnt to appreciate his straightforwardness.

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It was assumed from the beginning of the Cabinet Meeting that our resignations were irrevocable, and the business was confined to explanations on our part of the reasons why a separation had become inevitable, and on the part of the other members of the Cabinet to expressions of regret that we had decided to leave them.

The meeting was very friendly, and nothing acrimonious was said by anybody. When the Cabinet rose after a general handshaking and expressions of regret at parting with us, I handed to the Prime Minister my letter of resignation with an intimation that I was sending a copy for publication in the Press. Samuel was getting the signatures of all his resigning colleagues, and would hand the letter to the Prime Minister that afternoon. I was sorry for Runciman. He seemed to be a very unhappy man. When we got outside he turned back and made a cryptic remark, that he might be able to drink again at the fountain.

That same evening the Simonites had a dinner. Whether it had been arranged to celebrate the resignations of the Liberal Ministers and the transformation of the National Government into a Tory Government I do not know, but it was a strange coincidence that it should be held that evening.

The same afternoon an official announcement was made from 10 Downing Street of the appointment of the new Ministers. The three Cabinet Ministers who had resigned were Sir Herbert Samuel, Sir Archibald Sinclair and myself, and, in addition, eight Junior Liberal Ministers resigned. The new Ministers were two Tories and a Simonite-Liberal. The Simonite-Liberals had by this time become quite indistinguishable from the Tories, so that with the withdrawal of Sir Herbert Samuel and Sir Archibald Sinclair (whose action was enthusiastically approved by the Liberal Party in the country) the

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National Government was transformed into a Tory Government.

My resignation had no Party significance. I had no Party.

On the afternoon of our resignations the Prime Minister made a statement to the Press. It is well worth while placing on record. He said:

"The position of the National Labour Ministers—Lord Sankey, Mr. Thomas and myself—is that we put our hands to a very big job twelve months ago. We knew what it meant.

"The same determination to disregard the ordinary partisan interests which were showed then we shall show still. The work is not finished. It cannot be finished until, one way or another, there is a Reparations and Debt Settlement and there is a World Economic Conference. We go on until these things are done.

"We make the same appeal to the electors as we did twelve months ago—that the nation needs a non-Party Government, and that purely Party considerations would weaken our national influence in the world and would be a blow to the movements now at work towards world recovery."

Could there be a clearer instance of mental delusion or of disingenuous misrepresentation?

The next day I received the following letter from the Prime Minister:

"MY DEAR PHILIP,

"I was very sorry yesterday to have your letter of resignation, and I shall make no attempt to say again what I have already said to you about it.

"With kind regards,

"Yours always sincerely,

"J. R. MACDONALD."

The same day I handed in my seals of office to the King. I was a free man once more.

CHAPTER LXXXVI

Past, Present and Future

LOOKING back over sixty years of vivid recollections of the incidents of my own life and contemporary events and changes, what are the thoughts they inspire?

Over forty years of my life have been absorbed in active political work. I was drawn into politics by accident and not by deliberate design. I have never shaped my own political career; events have done that for me.

Although I have had my share of the success of a political life, I should hesitate to advise a young man with ambitions for a political career to embark upon it. The happiest years of my life were those I spent outside Parliament and on the public platform. I often wonder if I should not have been more useful if I had confined myself to that missionary work and left others to engage in the practical task of legislation. However, Fate ordained otherwise.

I have seen every side of political life. I have watched the play of ambition and the intrigues of self-seekers. I have known men in all parties of fine character, who were inspired by a high sense of public duty; but there is probably no sphere in which mixed motives play a larger part than in politics.

Politics and the ambition to be in Parliament have an extraordinary fascination for some people, often for those without any qualification for its important work. Others have a genuine and informed interest in politics and love

the excitement of Party warfare. Others again devote themselves with complete absorption to the work of Parliament, and with a single desire to serve the welfare of the country.

From my experience I can pay a sincere tribute to the general purity of British political life. I believe that very few men try to get into Parliament to serve their own personal interests. It is true that all Members of Parliament are subject to pressure from sectional interests in their constituencies, and often vote against their convictions in the mistaken belief that to do otherwise would lose them votes.

I am convinced that both in electioneering and in Parliament honesty in thought and word is the best policy. The voters like a man to be honest and plain-spoken, whether they agree with him or not, and if a candidate can convince them of his sincerity he is not likely to lose many votes even if the electors disagree with some of his views. I am not denying that electors can be carried away by a plausible and self-seeking demagogue, but such men are found out in time. The House of Commons has an instinct for sizing up such men and never tolerates for long mere bounce.

I have said that I should hesitate to advise a young man to enter politics, but I realise that if he be actuated by a passion for the public service he would find in politics an occupation of absorbing interest. The prizes of a Parliamentary career are few, however, and the great majority of those who devote themselves to politics are likely to be disappointed if their purpose in entering Parliament has been solely one of personal ambition.

Few members can ever hope to be more than "back-bench" members. These have on the whole a dull and monotonous life waiting for opportunities which rarely come. The inactivity is irksome to an active man. But,

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in spite of all, most men like the House of Commons and generally leave it with regret.

It ought to be said that the opportunities for a young man of exceptional capacity and industry were never greater in politics than they are to-day. The days when social position and wealth were the sole passports to Cabinet office are gone for ever. In the present Cabinet (1934) there are only three members who belong to the old governing class. The last six Prime Ministers have all been drawn from the middle or working classes. The Party leaders are always on the look-out for promising young men, and every encouragement is given to them when they are recognised. The last quarter of a century seems to have produced few statesmen of outstanding ability. It is the age of mediocrity, or as Mr. Lloyd George aptly put it in one of his coruscating phrases: "This is the acceptable day of the pygmies".

Nothing I have written will, I hope, give the impression that I am under-estimating the importance of politics and the need for men and women of capacity to devote themselves to the work; but they must be men and women of strength of character if they are to survive the storms and stresses of their chosen avocation.

It is the glory of British political life that so many men are ready to sacrifice their personal interests in business and profession to give their services to various forms of public work. These men are to be found in all Parties, and if the desire to serve is mixed with the desire for distinction the ambition is not always unworthy.

Passing from these reflections on politics and politicians I turn to a brief survey of the changes I have seen in the material and moral condition of the people. I have lived in a wonderful age, full of marvellous discoveries

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and amazing advances in scientific knowledge. I have witnessed a vast increase in the potentialities of material and social progress. The changes I have seen, not only in the actual lives of the people but in the attitude of the public towards social evils are so great and fundamental that I am encouraged to believe that still greater changes will be effected, at an ever-increasing rate of progress, *provided the menace and scourge of war can be removed.*

When Socialist propaganda began forty years ago its greatest task was to convince people that there *was* a social problem. Poverty it was generally believed was due to the lack of effort, the thriftlessness or the drunkenness of the individual. That generation had inherited the traditions and beliefs of a century of acute individualism. The doctrine of *laissez-faire* was generally accepted, and State interference was looked upon as a real evil. Competition was regarded as the true motive power of industry and of progress. It eliminated the weak and the incompetent and gave the battle to the strong.

The Church was still under the influence of individualism, and of "other-worldliness" as compensation for the sufferings of this life. Poverty was defended on the ground that it was divinely instituted and intended to serve some great religious purpose. Children in the Sunday Schools were taught to sing:

"The rich man in his castle,
The poor man at his gate,
God made them high and lowly,
And ordered their estate."

In industry and religion, in the recognition of the causes and nature of poverty, and in the appreciation of individual and social responsibility for these conditions the change in the last half-century has been very great. Politics have been transformed, and so have ideas about com-

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petition in industry. All political parties are agreed that fundamental changes in our industrial and social system are needed, though they differ in their conception of the form the new Order should take.

But all agree that planning must take the place of anarchic competition, and that the State must take a large share in supervising or controlling the re-organisation. It is truer today than when Sir William Harcourt made the remark that "we are all Socialists now".

The social condition of the people is the dominating question of the age. In every Parliamentary country the social question is forcing itself on the attention of the Legislature. Political parties compete in offering solutions for our social and industrial problems. Innumerable societies and organisations exist to force their particular panaceas on public attention. The Churches are now alive to the urgency of action to remove the slums, to give children a better start in life and to redress the inequalities of opportunity, and remove unnecessary and unmerited poverty.

The time for hesitating steps in industrial and social reform is passed, and only a bold and courageous policy can save the country from the disaster which has destroyed democratic government in other lands. It is idle to shut our eyes to the fact that a great body of people are losing their faith in Parliament as it is now constituted. Parliament, they say, is not delivering the goods. A drastic reform of Parliamentary procedure is urgently needed. Its machinery has not been brought up-to-date. It might have served its purpose when there was no democratic electorate, and when Parliament was not expected to deal with the vast number of industrial and economic questions for which a fully-enfranchised electorate is demanding a solution.

A body of over six hundred Members of Parliament is

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no more competent to frame the details of legislative measures than an electorate of twenty-eight millions of voters would be. The true function of democracy is for the people to elect for legislative and administrative work those they consider most competent to carry into effect the reforms which they have approved in broad outline. It is the same with the House of Commons itself. If that body is to be effective, and if a large volume of legislation is to be enacted, a more expeditious way of doing the business will have to be devised. The waste of time in interminable talk will have to cease. Weeks or months of discussion on the details of a Bill is a futile waste of time. Seldom does a measure pass in its final form, after all this talk, with any material change from the Bill as it was introduced. Parliamentary discussion should be confined to the general principles of a Bill and the details should be left to a body of experts for close examination. Such a procedure might be criticised on the ground that it would be a derogation of democratic control, but that is not really so. In any case, it is the only way in which Parliament can be transformed from a mere "talking shop" to a business body. It is the only way in which real progress can be made in the legislative output of a Session.

Parliament would retain the right to reject a measure it did not approve, and the democratic control of the electorate over the Government and Parliament would be maintained. Whatever may be the measures adopted for reforming Parliamentary methods, something will have to be done to make it a more efficient machine for legislative purposes. Otherwise, I feel sure that Parliament will continue to lose popular confidence, and that encouragement will be given to revolutionary and anti-democratic methods.

I believe there is in this country a vast volume of

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opinion, confined to no one party or class, which is prepared to support a great and courageous advance in social and economic reform. That opinion is not revolutionary, nor does it ask for wild and reckless experiments. But millions of people would give enthusiastic support to far more drastic measures than have yet been adopted for the demolition of slums, for dealing with unemployment, the land question, with education and with the national planning of production and distribution.

I have no doubt in my own mind as to the general form which industrial and social reorganisation will take. I am convinced we shall pass more and more into the Socialist State. After forty years of the advocacy of Socialist principles I am more than ever convinced of their rightness and that Society will inevitably, if gradually, evolve into that stage. Looking over my old books and pamphlets I find little that I would modify or change. I have never regarded Socialism as a cut-and-dried scheme of social organisation to be applied indiscriminately to the country's industrial and economic life. Socialism to me has been a principle, the principle of co-operation as opposed to competition. The form which Socialism will take must be determined, and is being determined, by considerations of expediency. The old idea that Socialism meant that the Government will undertake the management of all industry and the regimentation of all the people has been abandoned, if it were ever held. Socialism will take various forms according to the nature of the undertakings to which its co-operative principle will be applied. The one object which will be aimed at will be to secure the most efficient form of management and organisation and to provide the greatest measure of social well-being.

The material aims of Socialism have never appeared to me to be an end in themselves, but only a necessary and

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inevitable means towards the liberation of human beings from grinding toil, from poverty and insecurity, that they might have leisure and opportunity for the higher end of the development of their intellectual and spiritual life.

The waste of human material and the suppression of individual liberty are the chief indictments of the competitive system. I believe that given moral conditions of life men and women will have a chance to develop a corresponding morality in every sphere of human activity. As Herbert Spencer puts it: "The individual development in a given period is determined by the corresponding development of the social organism."

A Socialism which standardised everybody and everything would have no attractions for me. If the great potentialities for producing the necessaries of life were fully used and organised, the wage-earning part of life would be but a small part of the whole. Leisure for the employment of individual tastes would be abundant. The Socialism I have worked for and still look for, and which I see gradually advancing, will not destroy individual enterprise and initiative but will actually encourage these things in a larger number of people by restricting the power of the exploiter. Competition would be raised to a sphere where the success of one would not mean the impoverishment of the many—to the realm of the intellect and the spirit from which no soul need be shut out.

I fully realise that such a Socialism as I have in mind will be reached only stage by stage, so gradually perhaps that men will not realise that great changes are taking place in their midst. I deny the possibility, either of a static form of Socialism or of a ready-made Utopia, or of its desirability if it were possible:

"Ah, but a man's reach should exceed his grasp,
Or what's Heaven for?"

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I have devoted a lifetime to the advocacy of this principle and to the building up of a party to give practical political application to it. I do not regret this. The Labour Party has profoundly influenced political thought and given a new interest in politics and sound reforms to millions of electors who were formerly indifferent. The incidents of the last few years have alienated me from the Labour Party, but they have not robbed me of my memories of the past nor of the satisfaction of having helped to create this great instrument which, intelligently used, may yet be potent in advancing social progress.

But it has to be admitted that the Labour Party of today is not the Party it formerly was. It has lost much of its idealistic quality and spiritual fervour. It has become an ordinary political party, with little to distinguish it from the quality of other parties. This change, I know, is deplored by the survivors of the early Socialist days. In a letter written to me three weeks before his death, Dick Wallhead expressed his grief at the loss of the old idealism and ethical passion. The recent occurrence of my seventieth birthday brought me a flood of letters from old comrades-in-arms, all reminiscent of the past joyful comradeship and of the "sweetness and light" of the old days which political success seems to have destroyed. Ambitious men have been lifted into positions of leadership in the Party who know nothing of the early struggles and sacrifices which have made it.

Notwithstanding all this, I believe that the Labour Party is established as one of the great Parties of the State. I am not sanguine that it will gain much strength in the immediate future. Unwise leadership and bad political judgment are arresting its progress. It will be a long while, unless wiser counsels prevail, before it will gain the majority on which it has set its heart.

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Meanwhile, this and the sad lack of unity amongst the progressive forces of the country, seem likely to give the country a long term of conservative government; but as to the more distant future, I have no doubt that a Government will come into power with a mandate to consciously organise society on Socialist lines.

I am writing these final lines on 4th August 1934—the twentieth anniversary of the beginning of the greatest act of criminal folly the world has ever known. All the signs of the times point to the fact that the tragic experiences of that war have taught the statesmen of Europe no lesson except to prepare on a more colossal scale and with feverish anxiety for a repetition of that terrible calamity. Every nation is giving the lie to its professions of a desire for peace by increasing its armaments and by devising more diabolical methods of slaughter. The various Pacts renouncing war as an instrument of national policy, Pacts of Non-aggression and Covenants of the League of Nations give no real feeling of security against war. A Disarmament Convention has been sitting for nearly three years, and the discussions have done nothing but expose the reliance of the nations upon armaments, and exhibit their mutual jealousies. The nations are spending in an impoverished world £800,000,000 a year on preparation for war.

The old diplomacy which brought about the last war is pursuing the same policy of encirclement and secret understandings. No effort is being made to remove the manifest injustices which are threatening the peace of Europe.

If the professions of their desire for peace of the late Allies were sincere they would set about this revision at once, and would remove every legitimate grievance from which Germany and her former Allies are suffering. If

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that is not done and if Germany is driven to try to obtain justice by force of arms the guilt will not be wholly hers, nor even chiefly hers, but will be that of the Powers who have denied her justice and have shown their determination to keep her sixty millions of people in subjection by force. If war comes, is Great Britain to fight to maintain the iniquitous conditions of the Versailles Treaty? That is the question which the British people will have to answer. Are they prepared to sacrifice another million lives and thousands of millions of treasure to back the policy of keeping Germany permanently in a position of humiliating inferiority?

Politicians talk callously about the inevitability of another war. It is wicked talk. War is inevitable only if we make it so. If nations pursue policies which must lead to war, then war they will get. Instead of regarding war as inevitable, nations should be seeking to remove all possible causes of war. Instead of doing that they are increasing their armaments and justifying their action with the fallacy that the bigger their armaments the greater the security of peace. If a British Government would have the courage to declare that they will fulfil no commitments to go to war until the grievances which have been created by the "Peace" Treaties have been removed and territorial wrongs inflicted by these Treaties have been put right, then their action would either remove the present menace of war or put the responsibility for war upon those Powers which were determined to perpetuate these wrongs.

The cost of maintaining enormous armaments is a colossal burden on the nations of the world. It diverts resources which might otherwise be used for social reform. A few weeks ago the present British Government refused the demand for raising the school age to fifteen on the ground that the country could not afford the

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estimated cost of £8,000,000. A week later this Government announced an increase in the Air Force which will cost £20,000,000—a clear instance that military expenditure is to be met by the starvation of the social services.

It is impossible for the human intellect to conceive what might have been done if the wealth wasted in the last war had been devoted to improving the condition of the people. That war cost Great Britain £10,000 millions and has left the country with an annual expenditure of hundreds of millions arising from it. It has trebled the national expenditure of 1913. But these figures do not by any means give the whole cost of the War. It nearly destroyed the economic life of the world, and the trade depression from which the nations have suffered ever since is part of the price they have paid, and are paying, for this insensate folly.

With this experience it is criminal madness to talk about and to prepare for the next war. That war would complete the ruin of the world as we know it. It would bring universal bankruptcy and revolutionary chaos in every country. Democratic liberty which the last war has destroyed in many lands would disappear everywhere.

This would be a tragic note on which to end this volume were there not the hope that, despite all, men will contrive to avoid this last great folly. There need be no "next war" if statesmen will combine to shape their policies in harmony with the sincere prayers of the common people of all lands who want to see the banishment of the war spirit from all human thought and action.

APPENDIX I

The "Red" Letter

VERY SECRET

EXECUTIVE COMMITTEE, THIRD COMMUNIST INTERNATIONAL PRESIDUM

MOSCOW,
September 15th 1924.

To the Central Committee, British Communist Party.

DEAR COMRADES,—The time is approaching for the Parliament of England to consider the Treaty concluded between the Governments of Great Britain and the S.S.S.R. for the purpose of ratification. The fierce campaign raised by the British bourgeoisie around the question shows that the majority of the same, together with reactionary circles, are against the Treaty for the purpose of breaking off an agreement consolidating the ties between the proletariats of the two countries leading to the restoration of normal relations between England and the S.S.S.R. The proletariat of Great Britain, which pronounced its weighty word when danger threatened of a break-off of the past negotiations, and compelled the Government of MacDonald to conclude the Treaty, must show the greatest possible energy in the further struggle for ratification and against the endeavours of British capitalists to compel Parliament to annul it.

It is indispensable to stir up the masses of the British proletariat, to bring into movement the army of unemployed proletarians, whose position can be improved only after a loan has been granted to the S.S.S.R. for the restoration of her economics, and when business collaboration between the British and Russian proletariats has been put in order. It is imperative that the group in the Labour Party sympathising with the Treaty should bring increased pressure to bear upon the Government and Parliamentary circles in favour of the ratification of the Treaty. Keep close

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observation over the leaders of the Labour Party, because these may easily be found in the leading strings of the bourgeoisie. The foreign policy of the Labour Party, as it is, already represents an inferior copy of the policy of the Curzon Government. Organise a campaign of disclosure of the foreign policy of MacDonald.

The I.K.K.I. (Executive Committee, Third (Communist) International) will willingly place at your disposal the wide material in its possession regarding the activities of British Imperialism in the Middle and Far East. In the meanwhile, however, strain every nerve in the struggle for the ratification of the Treaty in favour of a continuation of negotiations regarding the regulation of relations between the S.S.S.R. and England. A settlement of relations between the two countries will assist in the revolutionising of the international and British proletariat not less than a successful rising in any of the working districts of England, as the establishment of close contact between the British and Russian proletariat, the exchange of delegations and workers, etc., will make it possible for us to extend and develop the propaganda of ideas of Leninism in England and the Colonies. Armed warfare must be preceded by a struggle against the inclinations to compromise which are embedded among the majority of British workmen against the ideas of evolution and peaceful extermination of capitalism. Only then will it be possible to count upon complete success of an armed insurrection. In Ireland and the Colonies the case is different; there there is a national question, and this represents too great a factor for success for us to waste time on a prolonged preparation of the working-class.

But even in England, as in other countries where the workers are politically developed, events themselves may more rapidly revolutionise the working masses than propaganda. For instance, a strike movement, repressions by the Government, etc.

From your last report it is evident that agitation propaganda work in the Army is weak, in the Navy a very little better. Your explanation that the quality of the members attracted justifies the quantity is right in principle; nevertheless, it would be desirable to have cells in all the units of the troops, particularly among those quartered in the large centres of the country, and also among factories working on munitions and at military store depots. We request that the most particular attention be paid to these latter.

In the event of danger of war, with the aid of the latter and in contact with the transport workers, it is possible to paralyse all

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the military preparations of the bourgeoisie and make a start in turning an imperialist war into a class war. Now more than ever we should be on our guard. Attempts at intervention in China show that world Imperialism is still full of vigour and is once more making endeavours to restore its shaken position and cause a new war, which as its final objective is to bring about the break-up of the Russian proletariat and the suppression of the budding world revolution, and further would lead to the enslavement of the Colonial peoples. "Danger of war", "The Bourgeoisie seeks War", "Capital Fresh Markets"—these are the slogans which you must familiarise the masses with, with which you must go to work into the mass of the proletariat. These slogans will open to you the doors of comprehension of the masses, will help you to capture them and march under the banner of Communism.

The Military Section of the British Communist Party, so far as we are aware, further suffers from a lack of specialists, the future directors of the British Red Army. It is time you thought of forming such a group, which, together with the leaders, might be, in the event of an outbreak of active strife, the brain of the military organisation of the Party. Go attentively through the lists of the military "cells", detailing from them the more energetic and capable men, turn attention to the more talented military specialists who have for one reason or another left the Service and hold Socialist views. Attract them into the ranks of the Communist Party if they desire honestly to serve the proletariat and desire in the future to direct, not the blind mechanical forces in the service of the bourgeoisie, but a national army. Form a directing operative head of the Military Section. Do not put this off to a future moment, which may be pregnant with events and catch you unprepared.

Desiring you all success, both in organisation and in your struggle.

With Communist greetings,

ZINOVIEV,
President of the Presidium of the I.K.K.I.

McMANUS,
Member of the Presidium.

KUUSINEN,
Secretary.

APPENDIX I A

The First Foreign Office Note to Mr. Rakovsky, Chargé d'Affaires in Great Britain, in reference to the “ Zinoviev Letter ”

FOREIGN OFFICE,
October 24, 1924.

To the Chargé d'Affaires of the Soviet Union.

SIR,—I have the honour to invite your attention to the enclosed copy of a letter which has been received by the Central Committee of the British Communist Party from the Presidium of the Executive Committee of the Communist International, over the signature of Monsieur Zinoviev, its President, dated September 15. The letter contains instructions to British subjects to work for the violent overthrow of existing institutions in this country, and for the subversion of His Majesty's armed forces as a means to that end.

(2) It is my duty to inform you that His Majesty's Government cannot allow this propaganda, and must regard it as a direct interference from outside in British domestic affairs.

(3) No one who understands the constitution and the relationships of the Communist International will doubt its intimate connection and contact with the Soviet Government. No Government will ever tolerate an arrangement with a foreign Government by which the latter is in formal diplomatic relations of a correct kind with it, whilst at the same time a propagandist body organically connected with that foreign Government encourages and even orders subjects of the former to plot and plan revolutions for its overthrow. Such conduct is not only a grave departure from the rules of international comity, but a violation of specific and solemn undertakings repeatedly given to His Majesty's Government.

(4) So recently as June 4 of last year the Soviet Government

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made the following solemn agreement with His Majesty's Government:

The Soviet Government undertakes not to support with funds or in any other form persons or bodies or agencies or institutions whose aim is to spread discontent or to foment rebellion in any part of the British Empire . . . and to impress upon its officers and officials the full and continuous observance of these conditions.

(5) Moreover, in the Treaty which His Majesty's Government recently concluded with your Government still further provision was made for the faithful execution of an analogous undertaking which is essential to the existence of good and friendly relations between the two countries. His Majesty's Government mean that these undertakings shall be carried out both in the letter and in the spirit, and it cannot accept the contention that whilst the Soviet Government undertakes obligations, a political body as powerful as itself is to be allowed to conduct a propaganda, and support it with money, which is in direct violation of the official agreement. The Soviet Government either has or has not the power to make such agreements. If it has the power, it is its duty to carry them out and see that the other parties are not deceived. If it has not this power, and if responsibilities which belong to the State in other countries are in Russia in the keeping of private and irresponsible bodies, the Soviet Government ought not to make agreements which it knows it cannot carry out.

(6) I should be obliged if you would be good enough to let me have the observations of your Government on this subject without delay.

I have the honour to be, with high consideration, Sir,

Your obedient servant (in the absence of the
Secretary of State),

J. D. GREGORY.

APPENDIX II

Speech on the Gold Standard (Amendment) Bill

HOUSE OF COMMONS,
21st September 1931.

This is a Bill for the temporary Amendment of the Gold Standard Act, 1925, and the Amendment takes the form of suspending Section 1, Sub-section (2), which reads as follows:

“the Bank of England shall be bound to sell to any person who makes a demand in that behalf at the head office of the Bank during the office hours of the Bank, and pays the purchase price in any legal tender, gold bullion at the price of three pounds seventeen shillings and ten pence halfpenny per ounce troy of gold of the standard of fineness prescribed for gold coin by the Coinage Act, 1870, but only in the form of bars containing approximately four hundred ounces troy of fine gold.”

The Bill is a One Clause Bill with three Sub-sections, the first of which reads:

“Unless and until His Majesty by Proclamation otherwise directs, Sub-section (2) of Section (1) of the Gold Standard Act, 1925, shall cease to have effect, notwithstanding that Sub-section (1) of the said Section remains in force.”

The second Sub-section proposes to indemnify the Bank of England for having today acted upon the suspension of that Sub-section of the Gold Standard Act, 1925. The third Sub-section, a very short one, reads:

“It shall be lawful for the Treasury to make, and from time to time vary, orders authorising the taking of such measures in relation to the exchanges and otherwise as they may consider

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expedient for meeting difficulties arising in connection with the suspension of the gold standard.

"This Sub-section shall continue in force for a period of six months from the passing of this Act."

This Bill will be available in the Vote Office as soon as the House has given permission for its introduction. I ought, perhaps, to add that this will not affect the free gold market in London. There will be no restrictions on the importation or exportation of gold, and any gold sent to London for sale, for example that from the South African mines, will, like any other commodity, fetch its market price, whatever that may be. Also there will, of course, be no impediment placed upon the free withdrawal of gold which has been put into the safe custody of the Bank of England by foreign Governments or by foreign central banks. All that is changed is that the right under the Sub-section of the 1925 Act to take from the Bank of England gold in bars is suspended. Finally—and I only say this because of an unreasoning fear that appears to prevail abroad—where we are under obligations to make payments in dollars or other foreign currencies, as for example some of the War Bonds that were issued in New York, we shall, of course, continue to meet our obligations punctually in those currencies.

So much, then, for the provisions of the Bill. The situation which it is intended to meet, though it has been precipitated by recent events, has been maturing for a considerable time. Obviously, the fall in the general price-level affected the capacity of the primary producers of the whole world to meet their obligations, with consequent effect upon their credit in the markets. A vicious circle was set up, banks and investors becoming more and more reluctant to lend their capital to potential borrowers, and these borrowers becoming more and more insolvent owing to the impossibility of obtaining the usual financial accommodation. The actual crisis started with the collapse of the chief bank in Austria last May and with the crisis which followed in Germany. The tying up of funds in Germany had an immediate effect upon the London market, because London is the centre of international banking, and it was known, of course, that we had been lending to Germany. Once foreign centres became nervous, the difficulties of our situation came to the front. There was much criticism abroad of our Budget, our expenditure upon unemploy-

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ment, our adverse balance of trade; these were all seized upon and exaggerated. To meet that situation the Bank of England about the beginning of August raised a very large credit, no less than £50,000,000, from the American and French central banks to meet the withdrawals, but within a couple of weeks these resources were practically exhausted.

At that stage the National Government came into being, and the plans which we announced for balancing the Budget had the immediate effect of restoring confidence. For some days the stream of withdrawals fell sharply, and we hoped that it might dry up. Unfortunately, however, we could not present a united front. Speeches were made and articles were written by prominent people advocating inflation and repudiation, which had a most damaging effect. There was political uncertainty, and the news of the unrest that occurred in the Navy was recorded in scare head-lines in every foreign newspaper. At the same time, in the general atmosphere of nervousness, difficulties developed in foreign countries, and people began to scramble to liquidate their positions. This was as much due to nervousness about their own position as to a loss of faith in sterling. The Government raised further credits to a total of £80,000,000 in New York and Paris, and I should like to take this opportunity of expressing our thanks to the Governments and banks in both countries for the readiness with which they helped us. But, in the circumstances, even this further credit did not prove sufficient. In the last few days the withdrawals accelerated very sharply. On Wednesday it was £5,000,000; on Thursday, £10,000,000; on Friday, nearly £18,000,000, and on Saturday, a half-day, over £10,000,000.

Altogether, during the last two months, we have lost in gold and foreign exchanges a sum of more than £200,000,000, apart from agreeing as a result of the London Conference to lock up £70,000,000 of our assets in Germany. We informed both the United States and the French Government confidentially of the position on Friday and asked their view as to the possibility of obtaining further credits. In both cases the replies, though friendly and sympathetic, afforded no prospect of assistance on the scale that by that time was obviously necessary. On Saturday the position had become so serious that it was quite evident that it could no longer be dealt with except by suspending the Gold Standard Act, and so the Bank of England addressed a letter in the following terms to the Prime Minister and myself:

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"I am directed to state that the credits for \$125,000,000 and francs 3,100,000,000, arranged by the Bank of England in New York and Paris respectively, are exhausted, and that the credit for \$200,000,000 arranged in New York by His Majesty's Government, together with credits for a total of francs 5 milliards negotiated in Paris, are practically exhausted also. The heavy demands for exchange on New York and Paris still continue. In addition, the banks are being subjected to a drain of gold for Holland. Under these circumstances, the Bank consider that, having regard to the above commitments and to contingencies that may arise, it would be impossible for them to meet the demands for gold with which they would be faced on withdrawal of support from the New York and Paris exchanges. The Bank therefore feel it their duty to represent that in their opinion it is expedient in the national interest that they should be relieved of their obligation to sell gold under the provisions of Section (1) Sub-section (2) of the Gold Standard Act, 1925."

To this letter the following reply was sent:

"His Majesty's Government have given the most serious consideration to your letter of the 19th instant in which you informed them of the grave difficulties with which you are faced in meeting the obligation placed upon the Bank of England by the Gold Standard Act of 1925 to sell gold in the form of bars to any person making a demand in accordance with the Act and of the dangers which you apprehend if that obligation is maintained. His Majesty's Government are of opinion that the Bank of England should place such restrictions on the supply of gold as the Bank may deem requisite in the national interest. They will be prepared to propose to Parliament forthwith a Bill giving indemnity for any such action taken by the Bank."

Thus, with appalling suddenness, the crisis which we had striven to avert broke on our heads, and we had no alternative but to suspend the gold convertibility of the currency. We have consulted the banks as to the origin of the heavy sales of sterling, and the banks assure us that, as far as they can judge, the sterling is predominantly on foreign account, and there is no evidence of any substantial export of capital by British nationals. So far as British nationals are participating in these sales they are, as I said in the House the other day, deliberately adding to the nation's

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difficulties. The banks and accepting houses have arranged that they will scrutinise all demands for exchange presented by British nationals with a view to preventing, as far as they can, all purchases other than for bona fide commercial requirements, and I am very glad to be able to tell the House that foreign banks in London have taken steps to co-operate with their English colleagues in this matter. The Government are asking in the Bill for powers to take emergency measures under the Sub-section which I have just read should these prove necessary or advisable in order to support and reinforce the steps which the banks are taking.

It may be suggested that before taking this extreme step we should have allowed more of the gold reserves at the Bank to go. This is a question to which both the Government and the Bank of England gave anxious and careful consideration. If it had appeared that the drain could have been stopped by the exportation even of a large proportion of the gold which the Bank holds, the Bank of England would not have hesitated to allow it to go. The Bank and the Government had already obtained credits abroad approximately equivalent to the total amount of gold reserve held by the Bank, and these credits have to be repaid within one year at latest. We had to take account of this liability, and we must also maintain a certain reserve for eventual emergencies which no one can foresee.

We were informed that the foreign assets still held in London largely exceeded the amount of the Bank's gold, and it appeared that to allow any further export of gold simply would benefit those who showed least confidence in sterling, and it would be at the expense of those who had not withdrawn their balances, so that in the circumstances we decided that it would be contrary to the national interests to allow any further gold to go.

It is frequently suggested that we could have met the drain on our exchange by mobilising our holdings of foreign securities as was done during the War. This was one of the first points to which His Majesty's Government directed their attention, and they made enquiries as to what possibilities there were in this matter. These enquiries satisfied them that the position at present is, for various reasons, substantially different from what it was during the War, and that, having regard to the extent and rapidity of the drain on the exchange, such resources as we might have been able to obtain would not have materially affected the drain.

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At the same time, these securities may well prove a reserve for the support of the exchange in the situation which has arisen, and the matter is under constant consideration.

The unequal distribution of the world's supply of gold has long been under the consideration of the British Government and the Bank of England. In fact, we have taken every possible opportunity to promote co-operation between central banks with a view to finding a remedy. So far as we are concerned, we would willingly have called a conference for this purpose. But it was made abundantly clear to us that any proposal of this kind would be unwelcome to other Powers, and therefore a conference would be foredoomed to failure. It may be that the present crisis will bring home to those who have hitherto been reluctant to enter into a discussion on this matter the pressing necessity of concerted action, and His Majesty's Government will certainly miss no opportunity of emphasising the urgency and importance of the matter.

When the financial history of the post-War period comes to be written, I do not think that this country will have any reason to be ashamed of its part. We set the example, both as regards meeting our obligations and of helping the reconstruction of the world, and if we have failed it is because we have undertaken a burden too heavy for us to bear. Certainly, it does not seem to me that other countries can afford to challenge or to condemn us for what we have done. As regards the United States, we exported to America, during and immediately after the War, actual gold to the value of £322,000,000 in discharge of our obligations. We then proceeded to fund our War Debt to the United States, and under the basis of settlement we have contributed 1,352,000,000 dollars, or over £280,000,000, representing nearly 30 per cent. of the debt at the date of funding. Though the British debt to the United States represented only 41 per cent. of the total War Debt owing to the United States, our payments to the United States represented 83 per cent. of the total payments they have received in respect of these debts. As regards France, the War loans made by the British Government to France, after deducting all off-sets, amounted at the date of funding to £600,000,000, on which the British tax-payer has been paying approximately £30,000,000 a year in interest. Under the terms of settlement, the French Government pay us only 40 per cent. of this. Much more could be said, but I will only add this: America and France taken to-

APPENDIX III

Election Letter to National Labour Candidates

11 DOWNING STREET, S.W. 1,
16th October 1931.

DEAR MR. ———

I WOULD like to send you my best wishes for success in your gallant fight. Your courageous action in following the path of duty in this crisis in our country's destinies deserves, and I believe will receive, the emphatic support of your electorate.

The nation is called upon to make a decision of the gravest importance.

The issue is whether the country shall have a strong and stable Government in this time of national peril; or whether its destinies shall be handed over to men whose conduct in a serious national crisis has proved their unfitness to be trusted with responsibility.

The choice which the Labour Government had to make at the end of August was whether we would put the welfare of the country before other considerations and take necessary and unpleasant measures to protect the financial and economic stability of the nation; or whether we would shirk our duty and bow to the dictation of the Trade Union caucus.

A few of us, all of whom have a lifetime of service in the Labour Movement, decided without hesitation to put our duty to our country before Party.

We did that also because we knew that unless we faced up to the crisis all that we had worked for and won in social amelioration would be lost, and further advance would be rendered impossible.

The crisis is not past; but the worst dangers have been averted by the action which the National Government has taken.

The Budget has been balanced. Our national financial position has been placed on a sound basis. Much more remains to be done. The National Government is asking the electorate to give it overwhelming support to complete its work.

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Its efforts in Parliament have been greatly hampered by the Labour Party opposition, who gave the outside world the impression of national disunity and unwillingness to face up to the situation.

The National Government is appealing to the country to show its condemnation of the cowardice and untrustworthiness of men who ran away from their national duty in the hour of crisis.

To none is a verdict in support of the National Government more important than to Labour men and women. Their present Party leaders have failed them. They have failed in the acid test of democratic leadership—namely, in having the courage to tell their followers the disagreeable truth.

The Labour Party officials have issued an election manifesto which has no relation whatever to the present national emergency.

It is a programme which they themselves know they could not carry out if they had a Parliamentary majority. If they attempted to carry it out, they would bring immediate and irretrievable ruin to the country.

They propose vast increases in national expenditure at a time when the national income is rapidly falling, and when nearly one-third of that income is taken in national and local taxation.

They declare they will reimpose the expenditure which the National Government has reduced, though they themselves arranged and approved these "cuts" up to the point when their courage failed them.

They are now professing to be opposed to tariffs. This is the crowning act of their attempt to delude the electors.

The very men who have issued the Labour Party appeal against tariffs proposed and voted in the late Labour Cabinet for the immediate imposition of tariffs! What can be said of the political honesty of men who play fast and loose with principles for the sake of Party advantage?

You have taken the courageous course in associating yourself with the National Government in this crisis. This action involves no sacrifice of your principles. You are helping to get the country out of its difficulties; to avert a drastic fall in the standard of living; to bring back industrial prosperity.

When the National Government has done that work we can resume our Party controversies. The road will be clear for a further social advance.

But at this Election it is the solemn duty of every patriotic

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citizen to put the welfare of the nation before Party considerations and to give support to the candidate of the National Government, thus showing to the world a united national determination to see the country through its present difficulties.

I earnestly appeal to all the electors in your constituency to work and vote for your return, and by so doing make their personal contribution to their country's needs in a time of great stress and strain.

In confidence that you will be given a great and well-deserved victory,

I remain,

Yours sincerely,

PHILIP SNOWDEN.

APPENDIX IV

Broadcast to the Nation on the General Election

17th October 1931.

IN front of me, as part of the wireless arrangement, is a red light, and a red light is a warning of danger to be avoided. I am going to give you this warning tonight. I am going to talk to you for a few minutes about this General Election. I don't think I can say much that is new to you. The issue is very simple, and it has been stated through the wireless this week with admirable clearness by Mr. Baldwin and Sir John Simon. This is an unusual Election, and I can well understand that you feel rather puzzled about it. An ordinary General Election is quite a simple matter. We have the three Parties running independently. Each has its distinct programme of ordinary political questions. Most of us are Party men and women, and we vote the Party ticket. But at this Election the old Party divisions have been largely obliterated. New and strange issues have to be decided.

I have been a strong Party man, and I never expected to find myself in the political company I am keeping today. But I never had a shadow of doubt about the wisdom and rightness of my action. I joined the National Government to carry out the financial policy I pressed on my late colleagues in the Labour Government. They knew this policy was necessary. But when it came to the point of having to face up to it they hadn't the courage to face the unpopularity and opposition which necessary measures of economy would naturally meet with in certain quarters. To call a halt in expenditure on the social services and to make cuts in the dole and reductions in pay here and there seemed, in the absence of knowledge of how necessary they were, to be inconsistent with Labour policy.

So it would have been in ordinary times. But these are not ordinary times. However anxious we may be to advance the social services we cannot do it when the resources from which the cost

must come are drying up. A nation, like an individual, cannot go on increasing expenditure when income is falling, unless it wants to be landed into bankruptcy. It became clear to me in the early part of this year that we were on the edge of national bankruptcy, and drastic measures would have to be taken if that catastrophe were to be averted.

The vast increase in unemployment with its enormous cost to the Exchequer, the rapid fall in revenue through the decline in the profits of industry, had upset all Budget calculations. In a speech in the House of Commons in February I called attention to the position and urged Parliament to give serious consideration to it. I pointed out that we had committed ourselves to expenditure which might be tolerable in a time of prosperity and abounding revenue, but which we could not stand in a period of intense depression. Economy in expenditure was absolutely necessary. It was the only way in which we could conserve our resources and prevent a complete collapse of our social services.

I may mention the fact now because no harm is likely to be done since we have balanced the Budget, but the situation was so serious that by the middle of November, if we had allowed things to drift, there would have been no money to pay the unemployment benefits. What we have done has saved the unemployed from that plight.

You have been told by a spokesman of the Labour Party this week that the resources of the country are enormous and that we have money enough to go on spending to our hearts' content. This is appalling ignorance or wilful deception. It is true the resources of the country are great; but the fact is that they cannot continue to be mortgaged for current expenditure. Let me give you a few striking facts. When I first entered Parliament in 1906, twenty-five years ago, the total national expenditure for the year, excluding the Post Office, was £123,000,000. This year it is £804,000,000—nearly seven times more. The Income-Tax then was 1s. in the £1; today it is 5s., with an additional Surtax running up to 5s. 6d. in the £1. In 1906 the whole cost of the social services was only £18,000,000. This year it is £237,000,000—over thirteen times more. In 1906 there was no unemployment benefit. This year the country is paying £132,000,000 for this item—more than the whole national expenditure twenty-five years ago. In 1906 national and local taxation took one-thirteenth of the national income—that is, the

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incomes of everybody in the country aggregated together. This year nearly one-third of the national income is taken in rates and taxes. Only two-thirds is left to maintain the population and to provide capital and wages for industry. We are far away the most heavily taxed nation in the world. All this taxation has to come out of industry. There is nowhere else it can come from.

In July our own financial difficulties were aggravated by the serious financial panic on the Continent. I need not go into that story. It has been told to you often in the last few weeks. In August the situation became so pressing that measures had to be taken at once. The majority of the Labour Government, after agreeing to most of the economies, shirked the responsibility of placing the proposals before Parliament, so the Prime Minister dissolved the Government.

It became necessary to form a new Government at once. So the National Government was formed to deal with the situation. By drastic economies, and by heavy taxation spread fairly over the whole population, the Budget has been balanced. I know that the economies we have had to make are disagreeable. It has been no pleasure to impose them. They were necessary to prevent a far more serious reduction in working-class conditions. They are far less drastic than reductions which the Labour Government of Australia has been compelled to make, and far less than the economies made in Germany. After the cuts have been made the unemployed in this country are far more generously provided for than in any other country. In America they are left to private charity or to beg or starve. After the reductions in unemployment pay the benefits now are 17 per cent. more in value than the Labour Government in 1924 considered adequate, and at a time when there was a Budget surplus of £30,000,000—not a deficit of £170,000,000.

It is being said that the National Government has failed to save the pound. It is true we have been driven off the Gold Standard, and the external value of the pound has fallen. But its internal value has not depreciated. The purchasing power of the pound at home is still worth 20s. The action of the National Government in balancing the Budget has prevented a tremendous increase in the cost of living.

The question is being asked: Why have a General Election now? The answer is that the National Government was formed without any direct mandate from the nation. The crisis was

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urgent and acute. There was no time to appeal to the country. Now that we have secured a certain measure of stability we desire to give the electors the opportunity to express their opinion on the National Government and to give it their definite authority to continue and complete its work. The Government has not put before the electors a programme for the establishment of a new earth in the new Parliament. It leaves that to others who have no responsibility and who know they are not likely to be called upon to redeem their promises.

I would warn the electors against being influenced by other considerations than the one issue. That one issue on which you should vote is, as I have stated elsewhere, whether we should have a strong and stable Government in this time of national crisis, or whether we shall hand over the destinies of the nation to men whose conduct in a grave emergency has shown them to be unfitted to be trusted with responsibility. I regret that other issues are being raised in this Election. The position is too serious to have the national unity threatened by divisions on a subject which is no essential part of the work in front of the National Government.

There is no more stern and unbending Free Trader than I am. If Free Trade or Protection were the issue at this Election I should be on the side of Free Trade. We all joined the National Government on the understanding that controversial Party questions were to be set aside until we had completed the task of restoring national solvency. I do not believe that the Conservative leaders would regard a majority obtained in the circumstances of this Election as giving them a mandate to carry a general system of Protection in the new Parliament. Such a radical departure from our established fiscal system could not be made without an emphatic and unequivocal decision of the electorate. But I would warn Free Traders that if they do attach importance to this question at this Election, if they follow the advice of Mr. Lloyd George and vote for the Free Trade candidate, they will not be doing that by voting for the Labour Party.

The Labour Party is not a Free Trade Party. Its candidates are saying that from a thousand platforms. They have issued an Election programme which involves the most extreme form of Protection. Immense subsidies are to be given from the taxes to keep up the prices of agricultural produce; the staple manufacturing industries and the transport services are to be taken over and

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subsidised from the same source. A month ago the Trade Union Council was preparing a tariff policy. When the General Election became imminent they dropped that in order to pose as an anti-tariff Party.

Mr. Henderson is quoted in the *Daily Herald* this morning as having said that if he were faced with a large cut in unemployment pay or a 20 per cent. revenue tariff as an emergency expedient he was going to try the value of that expedient. Now he is denouncing tariffs as an expedient to raise prices and lower wages. He was prepared a month ago to raise the cost of living to the unemployed and to all employed workers by 20 per cent. rather than adopt the straightforward course of reducing the benefits by 10 per cent. This is the Party which Mr. Lloyd George recommends the Electors to support as a sound Free Trade Party.

I hope you have read the Election programme of the Labour Party. It is the most fantastic and impracticable programme ever put before the electors. All the derelict industries are to be taken over by the State, and the tax-payer is to shoulder the losses. The banks and financial houses are to be placed under national ownership and control, which means, I suppose, that they are to be run by a joint committee of the Labour Party and the Trade Union Council. Your investments are to be ordered by some board, and your foreign investments are to be mobilised to finance this madcap policy. This is not Socialism. It is Bolshevism run mad.

I have been an advocate of a sane and evolutionary Socialism for forty years, but I have always attacked such a revolutionary policy as is set out in this manifesto. Well might Mr. Lloyd George say the other evening that there is no likelihood of the country giving this programme a majority. Nothing could better show the utter lack of understanding of the national and international financial situation than such a programme as this. At a time when national retrenchment is vital, when above all else confidence in our sanity is needed, this programme is issued, a programme which, were it taken seriously, would destroy every vestige of confidence and plunge the country into irretrievable ruin.

May I say a word in conclusion to my old friends in the ranks of the Labour Movement? My recent action may seem to them inconsistent with my past. I assure them it is not. I am supporting this National Government as a temporary expedient to do the work which I would fain have seen a united Labour Government

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undertake. I am doing this because I do not want to see the work of a life-time brought to rack and ruin. To none more than to the working-classes is it more vital that a strong National Government should be returned. I ask them to believe that I give them this advice under a profound conviction that in doing so I am still serving the best interests of the working-classes and safeguarding their future progress. GOOD NIGHT.

APPENDIX V

Letter to Electors on Eve of Poll

11 DOWNING STREET, S.W.,
25th October 1931.

WILL you listen to me for a minute? You are going to vote tomorrow. Have you got the real issue clearly in your minds? Do you realise that the fate of our country will be determined by the democratic vote tomorrow?

Do not think I exaggerate when I say that the issue of this Election is between prosperity and ruin.

I do not want to introduce a personal note into this brief talk, but will you let me say this?

I have worked for forty years to improve the lot of the working-people. Do you think that, at my age, when my political life cannot be far from its close, I would betray the principles of a life-time and advise you otherwise than I firmly believe is in your best interests?

My work as Chancellor of the Exchequer has given me an inside knowledge of the financial position of the country which few men can have, and I tell you in all seriousness that unless you vote for the National Government you are inviting a catastrophe which may well overwhelm you.

The danger has been averted by the action the National Government has taken.

If the Government continues in office no catastrophe will occur.

We have put our national finances in order. Our income and our expenditure have been balanced. The National Government will see that our expenditure is kept within our income. That means national solvency.

The National Government has much more to do before all our difficulties are removed. We have to make the exchange secure, to deal with War Debts and Reparations, and, above all,

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to increase our exports so that we can pay for the food we have to import.

The Labour Party has announced that if it gets a majority it will undo the work the National Government has done. It promises to increase expenditure enormously. It will take the money out of industry by vast increases of taxation.

There is nowhere but out of industry that money can be got. This will result in works closing down and unemployment will go up by leaps and bounds. Such a policy would destroy our national credit, the currency would collapse and your incomes and wages and pensions and unemployment pay would have their purchasing value reduced enormously.

The National Government has saved you from that. The policy of the Labour Party would certainly revive the crisis in a most aggravated form. The return of the Labour Party in itself, before they even attempted to put their policy into effect, would so destroy confidence that the danger would be on us.

Trade is beginning to recover because of confidence in the National Government. When the electors have given it a great majority, with the prospect of a stable Government, increased confidence will immediately be reflected in more rapid trade recovery.

I did not exaggerate when I said that the issue on which you vote tomorrow is prosperity or ruin.

As one of the oldest members of the Labour Party, I deeply regret that its present leaders have failed in this national crisis. They have shown a lack of courage to face difficulties. They are not fit to be trusted.

They knew the situation was serious. They have admitted that. But they left others to do the necessary and disagreeable work.

They are the Party that ran away.

I have told you plainly what the issue of the Election is. I implore you, if you care for your country, if you do not want to see the country go to the dogs, vote for the candidates who support the National Government.

PHILIP SNOWDEN.

APPENDIX VI

Message to the Nation after the Election

11 DOWNING STREET, S.W. 1,
29th October 1931.

THIS appeal to the electors to give a demonstration of national unity has received a response far beyond all expectations. This overwhelming majority for the National Government is not a Party but a national victory.

Millions of men and women have voted for candidates with whose general political views they are not in agreement, on the sole ground of showing to the world that Britain is determined to stand foursquare and bring the nation through its difficulties.

The result is a magnificent justification of democracy. The leaders of the National Government have told the nation the truth about the issue, and the democracy has trusted its leaders.

I do not rejoice at the disaster which has come to the Labour Party. I regret it, because the Labour leaders have brought this catastrophe upon themselves and to the Party by their folly, lack of courage and leadership, and misunderstanding of the popular spirit.

They hoped to exploit the unemployed for Party advantage. The electors in the industrial areas where unemployment is highest have given the most emphatic condemnation of the Labour leaders.

Millions of unemployed and former Labour voters have put National interests before Party at this Election without in the least changing their political and social ideals.

This is not the end of the Labour Party. It will rise again, but only with new leaders who have vision and courage, but it must be based on a citizens' and not a class outlook.

The defeat of the Labour Party will be for its ultimate good if the lessons are learned.

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A great task now awaits the National Government. The result of the Election gives it an unanswerable right to speak and act for the nation, but not to pursue any Party objects.

Great Britain's position in the world will be immeasurably strengthened by this Election.

PHILIP SNOWDEN.

APPENDIX VII

Speech in the House of Lords on Free Trade

29th February, 1932.

MY LORDS,

In the time at my disposal it will not be possible to do more than touch upon a few of the patent fallacies, the unfounded claims and the contradictory assumptions upon which this Measure is based. This is the most important Measure dealing with trade and commerce which has been before Parliament for nearly a century. The Measure is revolutionary in its character. It proposes to reverse the fiscal policy under which the trade and commerce of this country have been conducted for the last eighty-five years. I have described the Measure as revolutionary, and I am sure that your Lordships will agree that a step so fateful ought not to be taken unless we are convinced that our Free Trade policy no longer serves the best interest of trade and industry, and unless we have every assurance that the new policy is better calculated to obtain those ends.

We have always had our Jeremiahs predicting the impending doom of British trade. About thirty years ago the late Mr. Joseph Chamberlain based his tariff campaign upon the allegation that our industries were dead or dying. But our industries refused to die in order to fulfil Mr Chamberlain's prophecy; and twenty-seven years later our export trade in manufactured articles had risen by more than 100 per cent. Now, fortunately, we are able to test the alleged failure of Free Trade and the claims made in this Bill by hard facts and practical experience. Under Free Trade our exports have risen tenfold. The wealth of the country has increased seven times. The social condition of the people has improved immeasurably. As has been pointed out, wages are double the average of the wages in the protected countries on the Continent. We have social services—incomparable social services—costing the country something like £300,000,000 a year. And

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this marvellous advance in trade and commerce and in social progress under Free Trade has been achieved under great natural disadvantages. We have to import for manufacturing purposes the greater part of our raw materials. We bring them from the uttermost ends of the earth, work them up into the finished article, and find a market in foreign countries, surmounting their high tariff walls. We have in England the densest population in the world to support. Now, these are the facts in regard to the service which has been rendered during the last eighty-five years to the trade of this country by our Free Trade policy.

It is true that during the last two years our trade, in common with that of all the other countries of the world, but in a much lesser degree, has suffered severely from world economic conditions. Mr. Runciman, speaking a few days ago, said that we have been able to keep up at a surprising level our trade while other countries have been growing poorer and poorer. Under Free Trade we have been able to maintain our trade at a surprisingly high level while Protectionist countries have been growing poorer and poorer. If at this time Protectionist countries were weathering the blast more successfully, if while we were depressed they were flourishing, then I admit there would be a case for a review of our fiscal system. But that is not the case. Facts and figures have been given by the noble Lord opposite to prove the very contrary. Mr. Runciman, to whom I believe the inspiration of this Measure may be largely attributed—Mr. Runciman, I repeat, says they are growing poorer and poorer. I submit that the first thing that the supporters of this change have to prove is this. Is Protection serving the interests of protected countries better than Free Trade is serving the commercial interests of this country? And there can be only one answer given to that question by hard and irrefutable facts.

It is claimed that this Bill will give greater employment to our people, that it will secure the home market and that it will do one or two other things. I want to test these claims. Will it increase employment? The noble Lord who preceded me gave the figures in regard to unemployment in the principal protected countries of the world. In Germany there are more than 6,000,000, and in the United States certainly not less than 12,000,000. Up to quite recently Protectionists pointed to France as a bright and shining light in the Protectionist firmament; but we hear little of France today. France for some time succeeded fairly well in hiding the

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facts of her internal economic condition, but they are known today, and unemployment in France today is certainly not less than it is in this country. Therefore, by that test the first claim made by the Protectionists falls. If Protection is going to increase employment in this country we have a right to ask why it has not done that in protected countries.

The second claim is that it will expand our export trade. Last year our export trade fell by £181,000,000. The figures published last week by the Department of Commerce of the United States revealed the fact that in that year the export trade of the United States fell by £380,000,000, more than double the figure of the fall in this country. About ten days ago this information was circulated through the Press; the latest figures of world trade show that the total volume has fallen very sharply since October. In the last three months of 1931, while British exports were more or less stationary, those of the United States, France, Germany and Switzerland fell abruptly. During this period British exports decreased by less than 1 per cent. But exports from the United States fell by 5 per cent., from Switzerland by 9½ per cent. and from France by 10 per cent. As to Germany the trade figures for December show a fall of 8 per cent. on the monthly average of the past nine months. Our exports last year per head of our population were double those of the United States of America. I ask your Lordships again, and I want an answer to the question: How is it that even in this time of unparalleled depression we are able to hold our position in the markets of the world more successfully than the great Protectionist countries?

Then we are told that it will secure the home market. Last year nineteen of the principal countries of the world, excluding Great Britain, imported nearly £3,000,000,000 worth of goods from other countries, and these are all Protectionist countries. Again I ask, how is it that tariffs are going to protect the home market here while tariffs have failed to protect the home market in any Protectionist country in the world? As a matter of fact, in normal times the United States of America imports more manufactured articles than we do. Protectionists and those who are supporting this Measure must answer these facts. Will Protection do for Great Britain what it has failed to do in every protected country in the world? Why do we stand better than these protected countries? Why are we able to keep our trade now while they are growing poorer and poorer? It is criminal to gamble with the

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vital interests of the country by adopting a policy while staring us in the face are the facts of the disastrous failure of that policy elsewhere.

While we are waiting for a reply to these questions I will turn to the examination of one or two other features of the Bill. The noble Marquess who submitted this Bill to your Lordships' consideration referred to the question of the mandate. I do not want unduly to stress the mandate. An undertaking was given by the leaders of the National Government at the Election that they would consider the whole question of the alleged adverse balance of trade, and would submit proposals, not excluding tariffs, which they thought were necessary to deal with that matter. Mr. Chamberlain said that they would bring an unprejudiced mind free from all fetters to the restoration of our financial stability, and to frame plans for securing a favourable balance of trade. I must confess that I have seen very little of the free and unfettered mind in the examination of this problem. From the first day the House of Commons met there began a raging campaign for full Protection. The limitation of the operation of the Government's proposals for dealing with the alleged adverse balance of trade has been frankly abandoned, and this Measure is now put forward, in the words of Mr. Chamberlain, to "kill Free Trade as dead as mutton". Mr. Runciman said there is nothing permanent. Well, there is nothing permanent in this changing world, least of all, I hope, the fallacies of the Protectionists, but it is permanent in the intention of its promoters.

No case has been established for tariffs on the ground of an adverse balance of trade. May I be permitted to amplify a little the treatment of this question which was given by the noble Lord who preceded me? The usual test applied to our foreign trade to see if it is favourable—that is, if we are selling more than we buy—is to take the value of imported merchandise, and to add to the exports what are called the invisible exports, as described by the noble Lord—that is, receipts from shipping, the income from foreign investments, commissions, insurance and the like. Now, if the visible and invisible exports fall short of the visible imports we are supposed to have an adverse balance, and it is assumed that we are running into debt or that we are paying out of capital. By this method of calculation this country has always had a favourable balance of trade except last year, and the figures are not yet available.

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I agree with the noble Lord that the figures of invisible exports are largely conjectural. There is no evidence whatever that we have a permanent adverse balance of trade or even a permanent tendency in that direction. The fallacy of all this argument about an adverse balance of trade seems to arise from the assumption that trade is carried on between countries as countries. That, of course, is not the case. Trade is carried on by individuals, and the total of a country's trade represents millions of individual transactions. Now it is quite true that if you strike an arbitrary line at a particular time you can very often get an adverse balance. That is always happening in a business concern. At seasons of the year traders, merchants and shopkeepers replenish their stocks. They buy much more heavily than they are selling, and they have an adverse balance of trade, but they do not worry about that; as a matter of fact it is a sign of the prosperity of their trade. They soon clear their stocks and the balance is reversed. A temporary adverse balance of trade rights itself by the operation of the automatic equilibrium. Where there is an adverse balance the individual restricts his purchases for the time being, and the balance is thus righted.

But there is one infallible barometer which shows whether there is an adverse balance of trade, and that is the exchange value of sterling. To pay for imports the British trader buys foreign exchange. The foreign importer must sell foreign currencies and buy sterling, and, of course, if there is more sterling on sale than foreign currencies the exchange value of sterling falls. But the exchange value of sterling is not falling. It has been steady for the last few months. It is showing a tendency to rise when one might have expected, owing to temporary transactions, that it would turn the other way. The Bank of England has been buying foreign currencies very heavily of late in order to pay the £50,000,000 Bank of England loan, and yet in spite of that sterling is improving. That one fact alone is the answer, and the conclusive answer, to those who allege an adverse balance of payments on commercial transactions.

Now let us deal with one other important point in regard to the balance of trade. If there be an adverse balance—I mean an increasing adverse balance—it is not in the visible imports and the visible exports, because—and this is a most important fact—the ratio between imports and exports remains the same whatever the figures may be. It is quite true, there is no dispute upon this

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point, that the invisible exports—that is, the receipts from shipping, commission, insurance, overseas investments—have fallen heavily, but the only result of that is that we have so much the less to invest abroad. Now having satisfied themselves that there is going to be an adverse balance of perhaps £100,000,000 this year, they propose that we should deliberately restrict imports and expand exports. The fallacy that you can reduce imports and increase exports at the same time arises from not recognising one inescapable fact, and that is that in the long run imports and exports must balance each other.

May I put a question to those who say that we can reduce imports and at the same time expand exports? That is the policy of every Protectionist country in the world, and I want to put this question: If every country is aiming at reducing imports and increasing exports, where is the market to be found for increased exports? I should like to have an answer to that question. The trade figures for last year show the futility of this idea, that you can increase exports and reduce imports. In the last two years our imports have fallen by nearly £300,000,000. Upon the theory with which I am now dealing, the policy with which I am now dealing, that ought to have given us an enormous favourable balance. But what happened? Imports fell by that figure and exports fell by precisely the same figure. There is always this correspondence. If your Lordships will examine the figures of the last fifty years you will find that that correspondence between imports and exports has always existed. *The Times* put this very well in its commercial column a week or two ago, when it said that the smaller the amount of our imports the smaller must be the amount that the foreigners will have available to spend on British goods, and that any unnecessary restriction of imports was to be deprecated because it would limit exports and you would thereby reduce the total amount of international trade. I admit, my Lords, that there is one way in which you can reduce imports and expand exports. That is by sending your goods to the foreigner and declining to take any payment in return. But that is a policy which, I think, would hardly commend itself even to the most extreme Protectionist.

There is just one other point in connection with this matter with which I should like to deal in a sentence only. There is a vast amount of capital employed in this country and a great amount of labour employed in dealing with imports. If you

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restrict imports you render that capital useless or you reduce its utility, you reduce employment at the docks and on our own railways, and you also reduce—which is most important—that very large invisible export which comes from shipping. If this Bill is intended to restrict the importation of goods—and that is declared in its Preamble to be its object—I want to know why Empire goods are to be admitted free. If there be a case on the ground of an adverse balance of trade for reducing imports, it ought to apply to the Empire more than to foreign countries, because during the last three years the so-called adverse balance of trade with foreign countries has been getting less but with the Empire it has been increasing. Last year it was three times more than it was three years before.

I have felt it necessary to dwell at some length upon this matter of the adverse balance of trade, though, as I have said, it has been frankly abandoned as the main reason for this Measure, and I now turn to other aspects of this Bill.

The Chancellor of the Exchequer described it as a measure for raising a substantial revenue and restricting imports. That is a very hoary Protectionist argument. You are to stop imports from coming into the country and you are at the same time to raise a substantial revenue by taxing them. *The Times* calls it a Revenue Tariff, because we are told it sounds nicer and it is less likely to excite opposition. Mr. Runciman has calculated that the revenue from Import Duties will amount to about £30,000,000 a year. I am not going to anticipate the Budget, but I think I am justified in giving to your Lordships what is Mr. Runciman's idea as to the destination of this revenue. He said the drain on the direct tax-payers has gone far enough and the time has come when they ought to be relieved. That is a plain and a frank statement of the opinion of Mr. Runciman as to the destination of this £30,000,000; £30,000,000 of relief to the direct tax-payer, and an addition to the burdens of the indirect tax-payer—and the indirect tax-payer is mainly the working-man.

But these duties, if they realise for the Exchequer £30,000,000, will take more than that out of the pockets of the consumers, for it is a well-known and true canon of taxation that indirect taxes take out of the pockets of the consumer more than they bring into the Exchequer of the State. Now if this revenue is going to be used as Mr. Runciman appears to assume, I say regretfully but emphatically that it will be a breach of the conditions upon

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which the Economy Act was passed last year. We induced a large section of the working-classes to submit to heavy reductions of their wages and to make other sacrifices on the ground that there was to be equality of sacrifice, and when I imposed the extra sixpence on the Income-Tax it was to carry out that pledge—as far as equality of sacrifice can be assured—and to call upon the direct tax-payers of the country, who could not be reached in any other way, by a Government measure of economy to make that equivalent sacrifice. I should be appalled to think of what the consequences may be if the direct tax-payer is first of all to be relieved of the sacrifice that he was called upon to make at that time.

Now, a good deal of discussion took place in the other House as to what the effect of this tariff would be on the cost of living. Mr. Runciman, in his airy way, said that it will not raise the cost of living at all—nothing of the kind. But Mr. Chamberlain was much more cautious. He admitted that it will, and that is how he justified the exemptions from the tax. He said that we must be very careful not to raise the cost of living to the danger-point. My Lords, of course it will raise the cost of living. The very fact that we had all that clamour last week for additions to the list of exemptions—clamour coming mainly from the Protectionists—shows that they know quite well that these tariffs will increase the cost of the article on which the tariff is imposed.

This Bill, said Mr. Runciman, is a slimming process. That is rather an unfortunate expression, but it is very appropriate. I understand that slimming is a process of reducing weight in order to add gracefulness to the figure, but to obtain gracefulness and beauty in the figure involves a great risk that the patient may be killed by the treatment. Well, that certainly is likely to happen here. The trade of the world has been undergoing a slimming process for the last three years, and what is wanted now is not a further reduction of weight but a considerable increase in weight. Mr. Runciman tells us he is still a Free Trader, and he caustically told the House of Commons a little while ago that if Protectionists wanted to carry Protection they ought to entrust it to a Free Trader with an open mind. Mr. Runciman has certainly an open mind on this controversy, but there are times when one wonders whether his support of these tariffs is not intended to show the absurdity and the hollowness of Protection. Whatever may be the reason, there can be no doubt about Mr. Runciman's present enthusiasm,

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for he is beating his new drum with all the enthusiasm and fervour of a new convert.

The Bill proposes a general tariff of 10 per cent. on all imports, with a few exceptions. It is a beautiful little tariff, said Mr. Runciman, and it can do no harm. But this tariff is the widest in the world. Sir Robert Horne told the House of Commons some days ago that in the United States of America two-thirds of the articles are admitted free. There are exemptions under this Bill, but they are only of a temporary character: certain food-stuffs—wheat and maize in grain, and meat—are exempted for the present. Well, I never could appreciate the logic and common-sense of those who will permit their consciences to support a tariff, say, on bacon, oatmeal and scores of other articles of food included in this Bill, but refuse to swallow a tax on wheat grain. There is neither logic nor common-sense in that. If I were a Protectionist I should be a whole-hogger; it is the only logical position for a Protectionist to take. But these exemptions are only temporary. They are to be the subject of consideration at Ottawa. But the wheat quota, the Bill to deal with which is now before another place, is an alternative to a direct tax upon wheat, and we have been told that the effect of that Bill will be to raise the price of the 4-lb. loaf by about a $\frac{1}{2}$ d. Bacon, we have been told, is to be dealt with in a quantitative regulation. Well, most raw materials—at any rate a large number—are to be taxed. Semi-manufactured articles, which are the raw materials for our manufacturing trades for export, are to be taxed, and the effect of this must be exactly the same as a tax upon the pure raw material; it must increase the price of the finished article, hamper our export trade, and give an advantage in the home market to the foreigner.

I feel quite unable to do justice to the spectacle presented last week of Protectionists filling the Lobbies of the House of Commons begging that articles in which they happen to be interested should be exempted from the blessings of Protection, and extreme Protectionists asking that particular articles should be exempted because there were manufacturers and traders in their constituencies who were afraid that they were going to be hardly hit by it. It is a pity that the late W. S. Gilbert is not still alive. He might have written a libretto of such a comic opera as this. The 10 per cent., of course, is only a basis upon which additional duties are to be built. A Tariff Commission is to be appointed, and I do not envy those Commissioners. From tomorrow every trade in

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the country will be clamouring for additional duties, and at the same time it will be opposing duties for every trade in which it is not primarily interested. As the noble Lord opposite has pointed out, there is no guarantee of improved efficiency. There is no limit to these additional duties.

I have already, in one or two sentences, dealt with the point made by the noble Marquess as to securing the home market. He made a statement which I think was rather more extreme than he intended, to the effect that our workmen were being deprived of their means of livelihood because the home market was being taken away by the foreigner. As a plain matter of fact it is not the case. We have already 80 per cent. of the home market and, as I pointed out a little while back, we have retained more of our own market than many of the Protectionist countries. Both the noble Marquess who moved the Second Reading of this Bill and the noble Lord who followed dealt at some length with what is called the bargaining weapon of the tariff. No belief was ever more utterly opposed to all experience than this. All experience proves that tariffs are useless as a means of getting a reduction of tariffs. Every country except ourselves has had this tariff weapon in its hands. Has it had the effect of reducing tariffs? Quite the contrary. The whole tendency has been otherwise. Of course you can point to a few isolated instances where tariffs have been reduced, but the reason was that it was necessary to import those articles into the country, and it was not to that country's advantage that heavy import duties should be imposed.

May I be allowed to read a short sentence from the Report of the Balfour Committee dealing with this matter, because it puts the whole question in a nutshell?

“This argument”—

that is, the bargaining weapon of a tariff—

“appears to derive little support from the Report of the Economic Conference, which, by clearly exposing the successive steps of the tariff bargaining process by which the tariffs of the principal countries of Continental Europe are normally settled, shows conclusively that it cannot in the long run lead, and that as a matter of historical fact has not led, to a reduction of the general level of tariffs. The tendency is in the opposite direction, and that for a very good reason.”

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Mr. Chamberlain, speaking at Birmingham a week ago, said he could discern a disposition by foreigners to enter into a tariff bargain, but Mr. Runciman disposed of that. He said he had had his ear to the ground for some months and could discover no such rumblings—no such disposition on the part of the foreigner—and he quoted a long extract from the *Board of Trade Journal* showing that countries had put up tariffs and were not reducing them, and that more than twenty countries have this year increased their tariffs or imposed import restrictions. Only on Saturday the Portuguese Government announced a Decree raising their import duties by an all-round 20 per cent., and a 50 per cent. surtax on coal.

Now, Mr. Runciman said, in effect: "When I get this 10 per cent. tariff and additional tariffs I shall be able to go to foreign countries and say 'If you lower your tariffs to me I will lower mine.'" Will he? Is there a Protectionist here who will allow Mr. Runciman to lower this 10 per cent. tariff? You know quite well there is not. Mr. Runciman would never be permitted to lower that tariff. He would never be permitted to lower an additional tariff by the force of the vested interests which had been created under the protection of that tariff. I have some experience of this both from the revenue aspect and from the tariff aspect. When I was in office eight years ago, I repealed the McKenna Duties, and incidentally the following year the industries concerned had the best year in their history. But that by the way. During the last three years I had not been able to repeal the McKenna Duties because I could not afford the sacrifice of revenue; and do you expect that either Mr. Runciman or any other President of the Board of Trade is going to sacrifice that revenue when it had already been hypothecated? As I said just now, the protected trades will take good care as far as they can that there shall be no reduction of these tariffs.

I do not wish to detain your Lordships any longer, because there are other members who wish to speak. I have dealt with but a few of the main objects of this Measure, and I submit that no case has been made out for a departure from our present fiscal system. I submit that the present position of Protectionist countries is a grave warning against our adopting such a policy, and that all the claims which are made for this Measure are unjustified by experience. I will sum up in three or four sentences the case against the Bill. Its definite purpose is to restrict the volume of inter-

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national trade and impose further hindrances in the way of the free flow of international commerce. It is designed to exclude foreign goods from this country, and, at the same time, to obtain a larger market for our goods abroad. Our traders are to seek orders abroad by going to the foreigner and saying: "We are carrying on a great campaign in our country against the purchase of foreign goods. We are advising our people to buy only British goods. We have placed a tariff upon the goods sent from your country, but we want you to buy our goods." That, I think, is expecting a magnanimity from the foreigners that they are not likely to appreciate. By deliberately restricting imports this Bill will lessen exports. It is not required to deal with the balance of trade. It is admitted that it will increase the cost of living, and by so doing will lead to wage wars. It imposes heavy new burdens of taxation. It is useless as a bargaining weapon. And, finally, it has been passed without any mandate from the country. The House of Commons majority does not reflect the opinion of the country upon this question. Every time this issue has been submitted to the country it has been decisively and overwhelmingly rejected.

This Bill will pass. As Mr. Chamberlain said, arguments will then pass into facts, and that, my Lords, is our satisfaction in this our temporary defeat. Facts and experience will finally settle this question. Free Trade is not dead. There are far more Free Traders in the country today than there were three months ago. The post-bags of Members of Parliament give ample proof of that. Well, from one point of view I am not sorry. The generation which knew from experience the horror and starvation of Protection is gone. The new generation must learn what Protection is from its own experience and sufferings. Let the Protectionists glory in their temporary triumph and in the revival of a universally discredited policy. I do not underrate the difficulty of reversing a policy which has established powerful vested interests. That is the reason why Protection continues in protected countries. While at the same time they realise its national disadvantages, they are powerless against protected interests. But I am confident that in this country a democratic electorate, when given the opportunity, will put national welfare before personal interests, and they will, as they have always done, when the opportunity comes, give their condemnation to the proposals embodied in this Measure.

APPENDIX VIII

Lord Snowden's Letter of Resignation

TILFORD, FARNHAM,
Sept. 28, 1932.

DEAR PRIME MINISTER,

I wrote to you on August 29, after the Cabinet meeting on the 27th, at which the Report of the Ottawa Delegation was received and considered, informing you of my decision to withdraw from the Government. Your reply and your subsequent letters and our conversation have not altered my decision, so I now ask you formally to submit to His Majesty my resignation of the office I have had the honour to hold.

I need not say that I regret to be compelled to take this action, for it severs our forty years' close political association and co-operation in work which has transformed the Party features of British politics. But I can no longer, without loss of all self-respect, remain a member of a Government which is pursuing a policy which I believe is disastrous to the welfare of the country, which will lead to the disruption of the Empire, and which is fraught with great danger to our international relations.

I am well aware of, and have given due consideration to, the reasons which are being urged against any action which might weaken the unity of the National Government and lessen its influence and prestige in the world. I took my part in forming the National Government when our colleagues in the Labour Government ran away from a necessary task which they feared would involve a disagreeable unpopularity. Like you, I sacrificed the associations of a political lifetime for what I still believe was an imperative duty in a time of grave national crisis. I helped to the best of my powers to secure the unprecedented national victory at the polls last autumn.

I did this on your assurance, and that of Mr. Baldwin, that a National Government, reinforced by a popular mandate, would

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work only in the national interests, and would not be used for Party purposes and policy. I accepted the declaration in which you said: "So far as I am personally concerned I am not going to be run by any party. . . . It may be they (the Conservatives) might try to put something over us. I am not their man". I accepted these assurances in good faith. I am still prepared to support a National Government which adheres to those conditions. But for some time now, indeed from the formation of the second National Government, it has become increasingly clear that the Protectionist section of the Government and the House of Commons were determined to carry through a full Protectionist policy, using you, and using us, if we remain in the Government, as instruments for carrying through that Tory policy.

The conditions have changed since August and November of last year. The main purpose for which the National Government was formed has been achieved. In a statement issued by you on August 24 last year you said: "The specific purpose for which the new Government is being formed is to deal with the national emergency which now exists. It will not be a Coalition Government in the usual sense of that term, but a Government of co-operation for this one purpose. When that purpose is achieved the political Parties will resume their respective positions."

The acute national emergency which then existed no longer exists. The Budget has been balanced: stern economies have been enforced; borrowing for the dole has been stopped; a great conversion scheme has been successfully carried through; and the threat to our national credit has been removed.

It is worth while to remind you of a fact which is not generally appreciated. When the Conservatives first joined the National Government the question of tariffs was never raised. It was never suggested, except by the leader of the Labour Party, that tariffs might be necessary to deal with the national emergency. Lord Hailsham, who was not a member of the first National Government, was, I believe, the first to raise the tariff question. On September 3, 1931, he called upon the Government to hurry on with its one purpose of balancing the Budget, and then have a General Election on the Conservative programme of tariffs.

From that time on the Tory demand for a General Election became increasingly clamant. We could not eventually resist it. We had innumerable discussions to find an agreed formula on the subject of tariffs. Somebody discovered that we had for the

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first time an "adverse balance of trade", and this was seized upon as an excuse for making an examination of tariffs as a means of dealing with it. But neither you nor Mr. Baldwin during the Election went farther than to commit yourselves and the Government to "an examination by the National Government of the policy of tariffs, with an open mind and without hampering pledges, and to put it into force if it was found to be the best means of restoring a favourable balance of trade".

No such impartial examination ever took place. We were rushed into the imposition of unprecedented temporary duties to deal with "abnormal" importations; and then, before the results were determined, the insatiable appetite of the Protectionists produced the permanent tariff scheme for general protection. They set up a Tariff Committee, which seems to regard its functions to be to grant tariffs to practically every selfish interest which asks for them without any adequate examination of the need or consequences.

On this issue the Free Trade members of the Cabinet in January offered their resignations. On strong pressure from you and the Conservative members we reluctantly accepted the compromise of the "agreement to differ". The circumstances then were different from what they are today. The Budget had been balanced on paper, but it remained to be seen what the actual result would be at the end of the financial year. The outturn proved the soundness of the balancing. The position of sterling was at that time uncertain. Neither of these reasons for maintaining the compromise of last January any longer exists. Moreover, six months' experience of the working of tariffs has disillusioned every unprejudiced Protectionist. None of the blessings which were to fall upon and fructify the sterile industrial soil have descended. Our foreign trade has considerably declined; unemployment has greatly increased; the policy has led to more foreign reprisals and restrictions.

The British Delegation went to Ottawa with the declared intention of increasing inter-Imperial trade and securing a general lowering of world tariffs. We had their assurance that nothing would be agreed to which hampered our freedom to negotiate with foreign countries for the lowering of tariffs. They have come back, after weeks of acrimonious disputes and sordid struggles with vested interests, with agreements wrenched from them to avert a collapse of the Conference and an exposure to the world

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of the hollowness of the talk of Imperial sentiment in economic affairs.

This is not the occasion to discuss the Ottawa agreements in detail. There will be plenty of opportunity to do that when the public of this country have been put in possession of the true facts. Nothing in my political experience has been more disgraceful and dishonest than the misrepresentations of the results of the Conference which are being circulated through the Tory Press. The British delegates have come back with agreements to maintain existing tariffs; to increase existing duties on food imports; to impose a duty on wheat; and to raise the price of meat and bacon by some incomprehensible plan for restricting foreign imports. These agreements deprive us to a great extent of the use of our tariff as a bargaining weapon.

The Dominions are to have a free market here, while retaining their protective, and often prohibitive, duties against British trade. We have undertaken to denounce some of our trade agreements with foreign countries. The Dominions are to dictate to us where we shall buy and where we shall not buy. The agreements have surrendered our fiscal autonomy, and handed over to the Dominions the control of British trade policy, reducing this country below the status of a Dominion. You cannot expect Free Traders to acquiesce, even passively, in such a policy of national humiliation and bondage. The "agreement to differ" cannot meet such a situation. That agreement has always been irksome. It has placed Free Traders in an invidious position in the eyes of the country, and given the world an erroneous impression of national unity on tariff policy. The Tories have been free to go ahead with their policy, while we have been in shackles.

My loyalty to you and the National Government has been strained to breaking-point. The old appeal to subordinate personal views to national interests must be addressed to the Tories. It is not the Free Traders, but the Tories, who have broken the unity of the National Government by forcing their own policy, for which they had no mandate. The Tories expect us to do all the sacrificing while they sacrifice nothing, but use the majority we helped to give them to serve their Party policy.

If any unfortunate results should follow the break-up of the National Government and its transformation into a Tory Government, it is the Tories and those who support them who must bear the responsibility. I am convinced that the tariff and Imperialist

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policies which the Tories are carrying through are more dangerous in their permanent effects than the crisis of last year, which was temporary and quickly yielded to drastic treatment. If I were to yield now I should be yielding not only on this issue, but all along the line, and should be inescapably committed to the support of the whole future policy of this Government.

So I go now. I have no Party allegiance; but I hope to be able to serve, in an independent political position, the causes in which I believe, and to help, according to my lights, to promote the welfare of my country. I have already expressed personally to you and my Cabinet colleagues my very sincere appreciation of the kindness and consideration I have always received from you all.

Believe me, yours sincerely,

SNOWDEN.

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